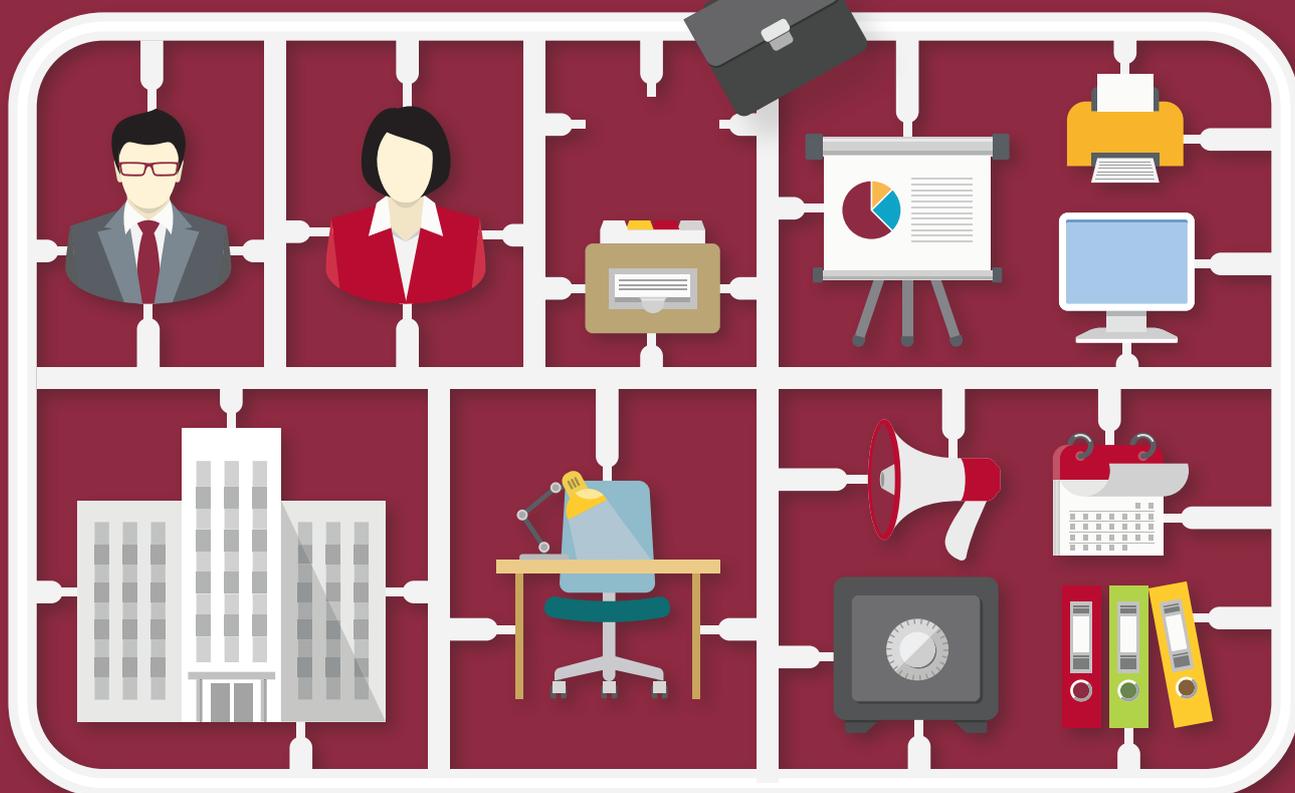




HONG LEONG FINANCE

HONG LEONG FINANCE LIMITED

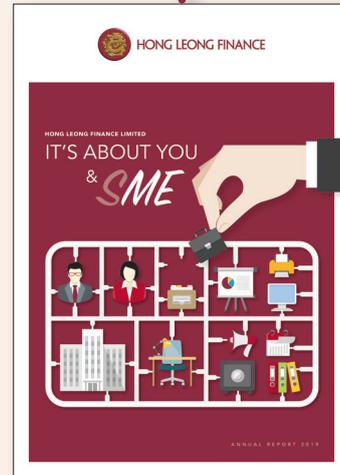
IT'S ABOUT YOU & *SME*



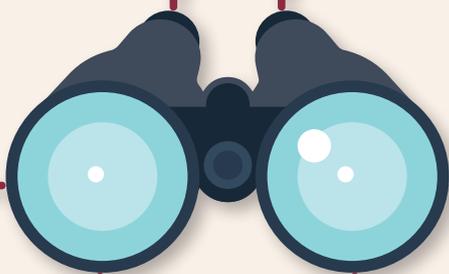
CONTENTS

- 1 Overview
- 2 Awards And Accolades
- 4 Five-Year Financial Summary
- 5 Financial Highlights
- 6 Chairman's Statement
- 12 Directory Of Services
- 13 Corporate Directory
- 14 Corporate Profile
- 16 Board Of Directors

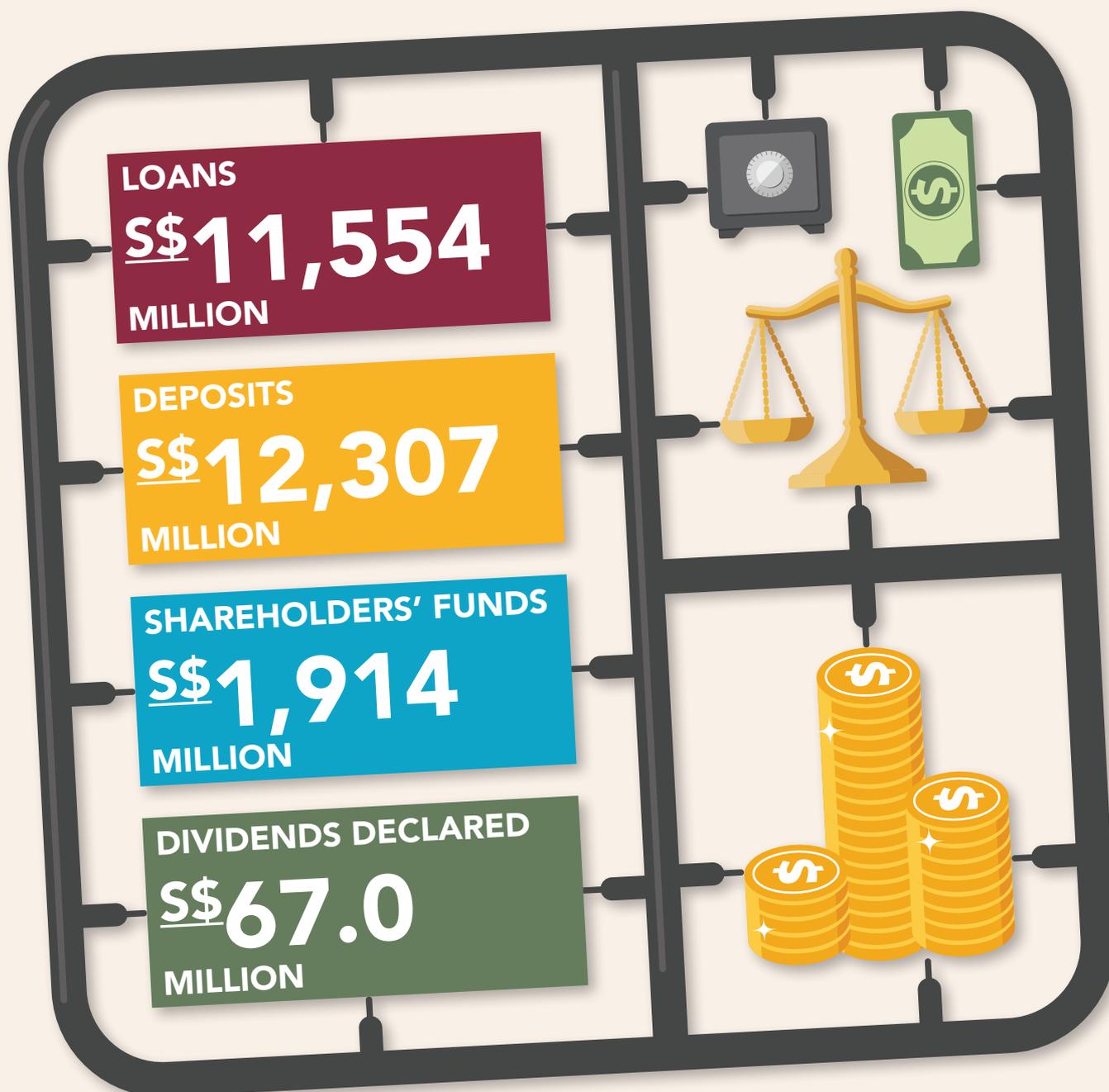
- 26 Corporate Governance Report
- 50 Risk Management Report
- 54 Sustainability Report
- 74 Operating And Financial Review
- 84 Financial Report
- 154 Analysis Of Shareholdings
- 162 Additional Information on Directors Seeking Election/Re-Election



The creative direction for this annual report drew inspiration from model assembly kits, to illustrate our ability to offer a wide variety of product offerings that can be customised to suit the different needs of our customers. When it comes to finance matters, you can count on us because we believe in the power of partnership – for Hong Leong Finance, It's about YOU & SME.



OVERVIEW



At Hong Leong Finance (“HLF”), we value solid partnerships that stand the test of time. Since our inception in 1961, we have grown from strength to strength, starting out as a Small & Medium Enterprise (“SME”) to becoming Singapore’s largest finance company with a distribution network of 28 branches today.

Building on our experience has enabled us to better understand what SMEs and individuals need today, especially in an increasingly challenging economic environment.

As an SME specialist, HLF is committed to developing effective products and solutions that empower SMEs and individuals.

AWARDS AND ACCOLADES

TOP 1000 WORLD BANK

HLF was ranked among the Top 1000 World Banks by The Banker for the second consecutive year for its robust Tier 1 Capital.



ASEAN FINANCE COMPANY & BEST MORTGAGE LOAN SINGAPORE

HLF scored its sixth consecutive 'ASEAN Finance Company of the Year Award' at the 2019 Asian Banking and Finance Awards. It also clinched 'Best Mortgage Loan of the Year, Singapore' for its SME Property Loan, a first-of-its-kind in the market that offers six-monthly tiered rates, which helps SMEs to better manage their budget.

NEWS

SIAS INVESTORS' CHOICE AWARDS 2019



SIAS INVESTORS' CHOICE AWARDS 2019

For the second year running, HLF was awarded the 'Runner-Up' title for the 'Most Transparent Company' in the Finance Category at the 20th Investors' Choice Awards by Securities Investors Association (Singapore), which recognises firms for their good corporate governance and transparency practices.





2018 – 2019 AWARDS

2019 AWARDS

- Top 1000 World Banks 2019
The Banker
- Top 100 ASEAN Banks 2019
The Banker
- ASEAN Finance Company & Best Mortgage Loan Singapore 2019
Asian Banking & Finance Retail Banking Awards
- Hong Leong Finance is on Singapore Exchange Regulation (“SGX”) Fast Track 2019-2020
SGX Fast Track
- Most Transparent Company Finance – Runner-Up, 2019
SIAS Investors’ Choice Awards

- Singapore’s Top 100 Brands 2019
Brand Finance
- Excellent Service Award 2019
The Association of Banks in Singapore
- 2018 Global Top Contributor Award
Porsche Financial Services

2018 AWARDS

- Top 1000 World Banks 2018
The Banker
- Top 100 ASEAN Banks 2018
The Banker

- ASEAN Finance Company and Mortgage & Home Loan Singapore 2018
Asian Banking & Finance Retail Banking Awards
- Fastest-Growing Company Award 2018
The Edge Singapore – Billion Dollar Club
- Most Transparent Company Finance – Runner-Up, 2018
SIAS Investors’ Choice Awards
- Excellent Service Award 2018
The Association of Banks in Singapore
- 2017 Global Top Contributor Award
Porsche Financial Services

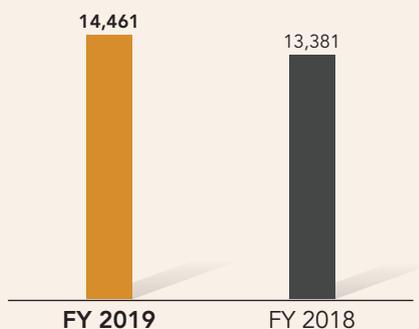
FIVE-YEAR FINANCIAL SUMMARY

		2019	2018	2017	2016	2015
Capital Employed						
Total assets	\$ million	14,461	13,381	12,543	12,313	13,287
Net equity	\$ million	1,914	1,874	1,742	1,697	1,688
Net assets per share	\$	4.28	4.20	3.91	3.82	3.80
Share Capital						
Number of shares in issue	million	447.5	445.8	445.2	443.8	443.8
Loans and Deposits						
Loans net of allowances	\$ million	11,554	10,278	9,877	9,515	10,091
Deposits	\$ million	12,307	11,338	10,659	10,442	11,444
Profit and Retained Earnings						
Profit before tax	\$ million	123.9	142.1	103.0	64.0	86.7
Profit after tax	\$ million	103.1	118.3	85.7	53.1	72.9
Interim/final dividend(s) declared in the year	\$ million	67.0	62.4	44.5	44.4	44.4
Earnings retained for the year	\$ million	36.1	55.9	41.2	8.7	28.5
Earnings Per Share and Dividends						
Earnings per share	cents	23.1	26.6	19.3	12.0	16.4
Dividend – tax exempt one-tier*	cents	15.0	15.0	13.0	9.0	11.0
Times covered*		1.5	1.8	1.5	1.3	1.5
Number of Employees						
		640	634	628	624	646

* Dividend per share and times covered are stated based on the interim/final dividend(s) declared/proposed in respect of each financial year. This differs from the accounting treatment whereby dividends are accounted for in the year declared regardless of the financial year to which they relate.

FINANCIAL HIGHLIGHTS

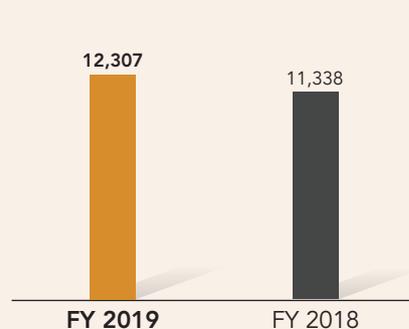
Total Assets
(\$ mil)



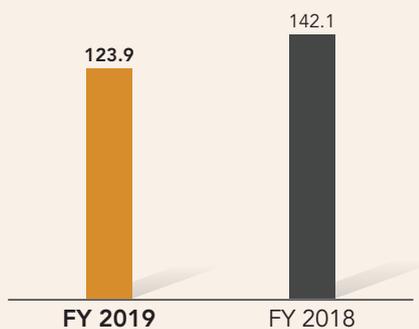
Loans Net Of Allowances
(\$ mil)



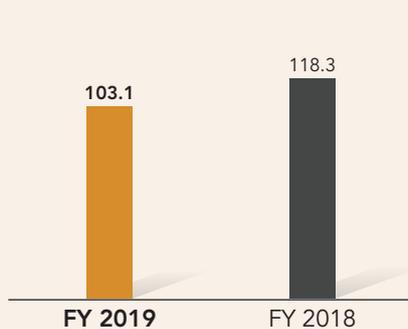
Deposits
(\$ mil)



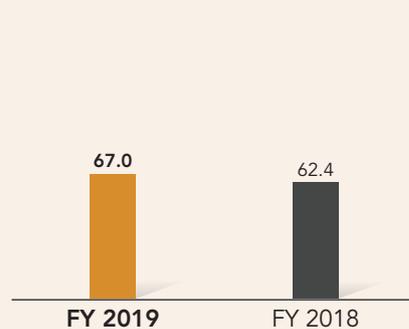
Profit Before Tax
(\$ mil)



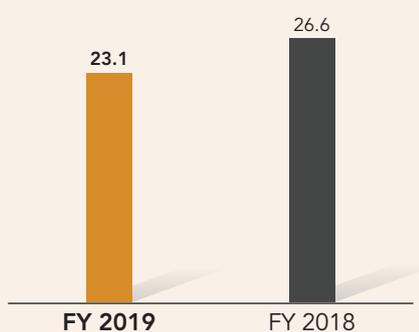
Profit After Tax
(\$ mil)



**Interim/Final Dividend(s)
Declared In The Year**
(\$ mil)



Earnings Per Share
(cents)



CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present this annual report of the Group and the Company for the financial year ended 31 December 2019.

FINANCIAL OVERVIEW

Group profit after tax attributable to shareholders for the year ended 31 December 2019 amounted to \$103.1 million, equivalent to 23.1 cents per share. The results for the year were arrived at after net loss allowances of doubtful debts amounting to \$1.6 million against net recoveries of \$2.2 million in 2018.

Loans and advances (before loss allowances) increased to \$11.57 billion from \$10.30 billion in 2018, an increase of 12.4% over the previous year. Deposits and balances of customers registered an increase of 8.5%, closing at \$12.31 billion as at 31 December 2019. There are no bank borrowings outstanding.

At the end of the financial year, Group shareholders' funds totalled \$1.91 billion, equivalent to \$4.28 per share. The Group continues to maintain a strong capital adequacy ratio of 15.0% as at 31 December 2019, higher than the prescribed requirement.

An interim dividend of 5 cents per share (tax exempt one-tier) was paid on 11 September

2019. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board is proposing the payment of a final dividend of 10 cents per share (tax exempt one-tier) in respect of 2019. The aggregate distribution for the year will amount to approximately \$67.1 million, compared to \$66.9 million for 2018.

OPERATING PERFORMANCE

Trade conflicts, geopolitical tensions and de-globalisation are among the primary drivers of market volatility for 2019, resulting in a weaker global economic environment.

The slump in the global electronics cycle, in particular, was a drag on Singapore's manufacturing sector. The Singapore economy grew marginally by 0.7 per cent in 2019 compared with the 3.4 per cent expansion in 2018.

Driving SMEs Forward

Hong Leong Finance ("HLF" or the "Company") journeyed with SMEs to assist them in sales growth and productivity gain through business digitalisation. Collaborating with Infocomm Media Development Authority for SMEs Go Digital Programme and

Enterprise Singapore's SME assistance loans, HLF provided much needed guidance and funding to the SMEs.

HLF also strengthened our product range to help the underserved SMEs. Our new SME Property Loan offering 6-monthly step-up board rates is Singapore's first and only such loan package where market norm offers yearly step-up rates. The unique gradual rate change allowed SMEs to better manage budgeting for their biggest asset (i.e. commercial property). The innovative loan was awarded 2019 "Best Mortgage Loan of the Year, Singapore" by Asian Banking & Finance.

To empower cash-strapped SMEs in retail and service sectors to meet higher festive sales demand, we created a Business Seasonal Loan to bridge the seasonal financing needs. SMEs welcomed fast drawdown of the unsecured short-term working capital loan, packaged with a low-cost Business Current Account for convenient depositing of daily sales taking. With more SME parameter-based lending schemes in place, customers could access funding quickly.

HLF also teamed up with Millennium Hotels & Resorts ("MHR") to launch an Exclusive Privileges Loyalty Programme to help SMEs manage entertainment

costs. Through this programme, SMEs gained access to a host of benefits and savings for accommodation, dining and hosting of events at MHR hotel chain in Singapore.

To make services more accessible, HLF expanded its SME Centre network with the opening of a 12th Centre at Potong Pasir Branch. Business Current Account, previously offered at Head Office only, is now available at all the 12 SME Centres.

Local capital markets faced volatility given the subdued economy. With HLF's deep Corporate Finance expertise, it successfully sponsored Jason Holding Ltd in its reverse takeover of REVEZ Group Pte Ltd. HLF also acted as a Continuing Sponsor for another 10 Catalyst companies and was financial advisor to several listed and unlisted companies on their corporate exercises.

Staying Relevant and Deepening Strategic Partnerships

With deposits interest rates trending downwards towards the last quarter of 2019, short-term depositors faced repricing risk. Addressing the concerns, HLF created a new rate feature called Renewal Rate Lock-In for selected short-term Fixed Deposits, with the option of renewing their deposits at the same rate as when they first placed. This scheme proved to be very popular with younger customers. The unique rate feature for short term deposits complemented HLF's wide range of other savings and fixed deposits products.

HLF continued to rationalise its branch network for optimisation. A new branch was set up at Potong Pasir to serve residents there as well as 700,000 new homes at the nearby upcoming Bidadari Estate. HLF closed



STRENGTHENING RELATIONSHIPS WITH OUR STRATEGIC PARTNERS IS AS IMPORTANT AS DEVELOPING CONNECTIONS WITH NEW ALLIANCES AND CUSTOMERS.

CHAIRMAN'S STATEMENT

its Ang Mo Kio Ave 4 Branch given its proximity to its Ang Mo Kio Ave 1 Branch.

Strengthening relationships with our strategic partners is as important as developing connections with new alliances and customers.

We leveraged a strong referral network of property agents and actively sought new customers to offer our flexible home financing options. We also fortified rapport with our key car partners to deliver customer-centred car loan packages to their customers, resulting in business market share growth. For a second consecutive year, HLF won "Top Contributor Porsche Financial Services" award in 2019 for the highest Porsche market penetration worldwide. The Company continued to expand relationships with other car distributors to serve more car owners.

Transformational Change and Digitisation

Customer preferences are continually evolving with the emergence of new technologies and the shift in market trends. We believe our success to remain relevant and cater to growing customer needs and expectations, depend on driving transformational organisational change, bearing in mind the different generational needs in doing so.

At the back office, an Operations Improvement Team, comprising experienced cross-functional staff, setup last year, continued to review

operations policies and processes to drive improvement, automation, compliance and standardisation. By re-organising the Operations Departments from product silos to functional units, we achieved synergy by banding common processes together; centralised controls for better risk management; improved governance practices and oversight. Likewise, a Customer Experience Committee consisting of senior management and managers was formed to oversee customer feedback and to redesign customer-facing processes to delight customers.

Besides AXS, we started accepting PayNow digital payment mode for easy loan payments through mobile devices based on customers' feedback. To provide a hassle-free car loan customer experience, digitalisation via online loan application using MyInfo data and API connectivity with car partners is underway. Upon its successful implementation, this would serve as a framework for other loan applications, enhancing customer data privacy protection and service levels. We also embarked on a Robotic Processing Automation pilot to increase productivity and engaged in collaborative efforts with fintech companies to innovate products.

In line with Smart Nation and cashless society initiatives, we adopted electronic fund transfer for our Treasury's back office settlement and cash management functions as well as third parties' supplier payment. By using the e-platform, manual cheque issuance and paper payment instructions were phased

out, reducing transactional cost and improving operational efficiency.

HLF is also in conversation with GovTech to understand the national initiatives and identifying areas which the Company can work on for our transformation.

We recognise that the on-going transformational change cannot be achieved without the tireless efforts of our employees. We value them and our talent management policy to attract, retain and develop our talented people is in place.

Balanced Risk Management

We added three more independent directors with diverse expertise to strengthen the Board's leadership bench and to guide the Company in manoeuvring the transformational changes in a sea of risks and opportunities.

We continued to ensure that business strategies were balanced against sound and effective risk management processes and framework, emphasising on credit and liquidity stress testing, strengthening operational risk controls and closely monitoring the weak credits to safeguard strong credit quality in our loans portfolio.

Given the Company's healthy Tier 1 Capital, HLF was named as Top 1000 World Banks and Top 100 ASEAN Banks for a second year by The Bankers. We exercised prudence in credit underwriting and maintained the mandatory liquidity ratios as we

grew our loan book and achieved the Top 100 Singapore Brands Award 2019 by Brand Finance.

HLF was also humbled to clinch the Most Transparent Company in the Finance Sector – Runner-Up Award by Securities Investors Association (Singapore) for two years running; was ranked Top 30 listed companies on the Singapore Governance and Transparency Index by Centre of Governance, Institutions and Organisations and was placed on Singapore Exchange's Fast Track for two years to be accorded prioritised clearance for selected corporate action submissions to Singapore Exchange Regulation.

In the area of cybersecurity, we strengthened our defences against cyberattacks, ensuring the protection of our employee and customer data.

2020 OUTLOOK

HLF looks to the year ahead with great caution. While there is interim de-escalation of trade hostilities between China and the U.S, the uncertainties in geopolitics and the impact of novel coronavirus ("Covid-19") outbreak have contributed to sluggish interest rates and weak global growth outlook. The Ministry of Trade and Industry forecasted growth range between -0.5

percent and 1.5 percent for Singapore. HLF serves domestic customers only. We have no operations in China or overseas. Hence the economic impact from the Covid-19 outbreak is somewhat cushioned.

We will pursue our transformation journey to remain relevant to customers by managing our resources to enhance investment and shareholder returns. Building on our strengths, we will continue to strengthen risk management, streamline and simplify operations using technology, innovate responsibly and grow our partnerships and customer relationships. The goal of all these efforts is to become even more customer-focused, innovative and better positioned for the future — creating long-term value for our shareholders.

APPRECIATION

I wish to extend once again a warm welcome to Mr Peter Chay Fook Yuen, Mr Tan Tee How and Ms Tan Siew San who joined the Board on 11 June 2019 as Independent Non-Executive Directors. I am sure the Company will benefit from their contributions from their respective management and professional experience and am confident that they will provide further diversity to the core competencies of the Board and allow for fresh

perspectives on the Company's strategies and business.

On behalf of the Board of Directors, I would like to convey our sincere gratitude to all our valued customers, shareholders and business partners for their continued support, trust and confidence in us. I would also like to express my appreciation and thanks to my fellow Directors for their invaluable advice and guidance during the year and to the management and staff for their commitment and efforts in 2019.

KWEK LENG BENG

Chairman

27 February 2020

PLACING OUR CUSTOMERS FIRST

We listen to our customers to understand their needs and in turn connect them to the right solutions. Be it an SME or individual, Hong Leong Finance has thoughtfully developed a suite of solutions to meet their various needs. From our Exclusive Privileges Programme and our award-winning SME Property Loan to competitive home or car loans, we aim to make finance easy and rewarding for everyone.





DIRECTORY OF SERVICES



SME LOANS

Accounts Receivable Financing

Enterprise Finance Scheme ("EFS")

- SME Fixed Assets
- SME Working Capital
- Trade

Equipment Loan

HDB SME Loan

Hire Purchase

Loan Insurance Scheme ("LIS")

Medical Asset Financing

Property Development Loan

SME CARE Programme

SME Property Loan

Suppliers' Invoice Financing /
Letters of Credit

Term Loan / Credit Line

CORPORATE FINANCE

Mainboard Issue Manager
for SGX listing

Catalist Full Sponsor

Catalist Continuing Sponsor

Corporate Advisory

- Financial Advisory
- Independent Financial Advisory
- Mergers and Acquisitions
- Restructuring

Equity Fund Raising

- Initial Public Offering
- Secondary Fund Raising
- Underwriting of Shares

DEPOSITS

Business Current Account

Fixed Deposits

Fixed Savings Account

Savings Accounts

Savers Plus

PERSONAL LOANS

Car Loans (New & Used Cars)

HDB Home Loans

Mortgage Equity @50

Private Housing Loans

Share Financing

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Executive Director

Kwek Leng Beng
Board Chairman & Managing Director

Lead Independent Director

Po'ad bin Shaik Abu Bakar Mattar

Independent

Non-Executive Directors

Chng Beng Hua
Cheng Shao Shiong @ Bertie Cheng
Ter Kim Cheu
Raymond Lim Siang Keat
Peter Chay Fook Yuen
Tan Tee How
Tan Siew San

Non-Independent

Non-Executive Directors

Kwek Leng Peck
Kwek Leng Kee
Kevin Hangchi

EXECUTIVE COMMITTEE

Kwek Leng Beng
Chairman
Kwek Leng Peck
also as alternate to Chairman
Cheng Shao Shiong @ Bertie Cheng
Independent
Ter Kim Cheu
Independent
Raymond Lim Siang Keat
Independent

AUDIT COMMITTEE

Po'ad bin Shaik Abu Bakar Mattar
Independent, Chairman
Ter Kim Cheu
Independent
Tan Tee How
Independent

BOARD RISK COMMITTEE

Cheng Shao Shiong @ Bertie Cheng
Independent, Chairman
Kwek Leng Beng
Kwek Leng Peck
Kevin Hangchi

Raymond Lim Siang Keat
Independent

Peter Chay Fook Yuen
Independent

Tan Tee How
Independent

NOMINATING COMMITTEE

Cheng Shao Shiong @ Bertie Cheng
Independent, Chairman

Kwek Leng Beng
Po'ad bin Shaik Abu Bakar Mattar
Independent

REMUNERATION COMMITTEE

Peter Chay Fook Yuen
Independent, Chairman

Cheng Shao Shiong @ Bertie Cheng
Independent

Ter Kim Cheu
Independent

HONG LEONG FINANCE SHARE OPTION SCHEME 2001 COMMITTEE

Peter Chay Fook Yuen
Independent, Chairman

Kwek Leng Peck
Cheng Shao Shiong @ Bertie Cheng
Independent
Ter Kim Cheu
Independent

BOARD SUSTAINABILITY COMMITTEE

Ter Kim Cheu
Independent, Chairman
Kevin Hangchi
Tan Siew San
Independent

PRESIDENT

Ang Tang Chor
*(Please refer to page 34 of this Annual Report
for information on the President)*

SECRETARIES

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin

REGISTERED OFFICE

16 Raffles Quay #01-05
Hong Leong Building
Singapore 048581
Tel: 6415 9433 Fax: 6224 6773
Email: customerservice@hlf.com.sg

SHARE REGISTRAR & SHARE TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: 6227 6660 Fax: 6225 1452

INVESTOR RELATIONS

Tel: 6877 8350 Fax: 6534 3060
Email: gcsecretary@cdl.com.sg

AUDITORS

KPMG LLP
Public Accountants and Chartered
Accountants, Singapore
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
*(Partner-in-charge: Ian Hong, appointed from
commencement of audit of financial statements
for the financial year ended 31 December 2018)*

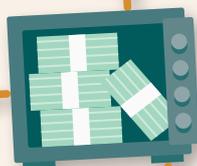
BANKERS

Australia and New Zealand Banking
Group Limited
BNP Paribas
CIMB Bank Berhad
DBS Bank Ltd
Deutsche Bank
HL Bank
Industrial and Commercial Bank
of China
Malayan Banking Berhad
Mizuho Bank, Limited
Oversea-Chinese Banking
Corporation Limited
Standard Chartered Bank
Sumitomo Mitsui Banking
Corporation
Sumitomo Mitsui Trust Bank
MUFG Bank, Ltd.
The Hongkong and Shanghai
Banking Corporation Limited
United Overseas Bank Limited

CORPORATE PROFILE



"AT HLF, WE ARE COMMITTED TO PROVIDING COMPLETE FINANCIAL SOLUTIONS TO BOTH BUSINESS AND RETAIL CUSTOMERS."





Hong Leong Finance (“HLF” or the “Company”) has evolved from a Small & Medium Enterprise (“SME”) in 1961 to become Singapore’s largest finance company with a distribution network of 28 branches. Listed on the Singapore Stock Exchange in 1974 as the then Singapore Finance Ltd, HLF is the financial services arm of the Hong Leong Group Singapore.

OUR FINANCIAL PRODUCTS & SERVICES

HLF’s core business involves taking deposits and savings from the public and providing a suite of financial products and services that include corporate and consumer loans, government assistance programmes for SMEs, corporate finance and advisory services.

With more than five decades of experience in serving the SME community, HLF has supported a large

number of local business enterprises by offering customised financing solutions, enabling them to operate successfully in the corporate world.

HLF is an active player in the SME market. To help our customers to gain greater business efficiency, the Company launched a Business Current Account in 2007 and remained as the only finance company in Singapore to offer chequeing account services until 2018.

HLF is also a pioneer among the finance companies, with full sponsorship status for the SGX Catalist Board. The Company provides financial advisory and fundraising services to SMEs aiming to list on Catalist, supports companies in their mergers and acquisitions and underwrite the sale of shares by listed companies.

In our quest to maintain market leadership and deliver services efficiently to our SME customers, HLF maintains a strong network of 12 SME Centres @ Hong Leong Finance within the branch network to stay close to the business community. For our strong commitments towards SMEs, HLF was twice conferred the ‘Friends of Enterprise’ award by the Spirit of Enterprise.

At HLF, we are committed to providing complete financial solutions to both business and retail customers. We serve our customers by listening to their requests and tailoring our suite of products and services to best cater to their needs.

Through the years, we have established a solid customer base and grown with them. We thank them for their continued support and look forward to many more years of excellent service.

VISION

To be a leading multi-model financial institution serving SMEs and consumers.

MISSION

To deliver high quality value propositions and innovative solutions that meet our stakeholders’ needs and achieve sustainable profits.

BOARD OF DIRECTORS



KWEK LENG BENG



KWEK LENG PECK



KWEK LENG KEE



KEVIN HANGCHI



CHNG BENG HUA



CHEN SHAO SHIONG
@ BERTIE CHENG



PO'AD BIN SHAIK
ABU BAKAR MATTAR



TER KIM CHEU



RAYMOND LIM SIANG KEAT



PETER CHAY FOOK YUEN



TAN TEE HOW



TAN SIEW SAN

KWEK LENG BENG / 79

CHAIRMAN

EXECUTIVE DIRECTOR

First appointment as Director

1 March 1979

Appointment as Executive Chairman

28 November 1984

Last re-election as Director

26 April 2018

Board committees

- Executive Committee (Chairman)
- Board Risk Committee (Member)
- Nominating Committee (Member)

Present directorships in other listed companies* and principal commitments

- City Developments Limited* ("CDL") (Chairman/Executive Director)
- Hong Leong Investment Holdings Pte. Ltd (Executive Chairman)
- Millennium & Copthorne Hotels Limited (Executive Chairman)

Other Appointments

- Singapore Hotel Association (Member)
- Singapore Institute of Directors (Fellow)

Past directorships in other listed companies* and principal commitments held in the preceding five years

- Hong Leong Asia Ltd.* (Non-Executive Chairman)
- City e-Solutions Limited* (Chairman/Managing Director)
- Millennium & Copthorne Hotels plc* (Non-Executive Chairman) (*delisted and privatized in 2019 and now known as Millennium & Copthorne Hotels Limited*)

Mr Kwek has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as Hong Leong Finance Limited). He also has vast experience in real estate business, having joined CDL in the late 1960s and since then has contributed significantly to building CDL's more than five

decades of track record, growing the CDL group's hospitality arm and has been actively involved in its development into Singapore's largest international hotel group and one of the largest hotel owners and operators in the world. Mr Kwek is also experienced in the trading and manufacturing sectors.

Mr Kwek has received numerous accolades. In 1997, he was named "Businessman of the Year 1996" by Singapore Business Awards, organised by The Business Times and DHL. In 2012, he was jointly awarded the "Partners in the Office of the CEO" award in the Brendan Wood International – Securities Investors Association Singapore (SIAS) TopGun CEO Designation Award with the late Mr Kwek Leng Joo (former Deputy Chairman of CDL). This award is given to CEOs who are best in class as rated by shareholders. In 2014, he received the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award which honours a pioneering group of real estate leaders.

He received the Singapore Chinese Chamber of Commerce and Industry (SCCCI) SG50 Outstanding Chinese Business Pioneers Award in 2015. The award honours the Republic's outstanding Chinese business pioneers and their exemplary contributions to nation-building. That same year, he was accorded the Lifetime Achievement Award from Hotel Investment Conference Asia Pacific (HICAP). This accolade honours exceptional individuals who have distinguished themselves through accomplishments and contributions to the hotel industry.

In 2017, he was presented the Lifetime Achievement Award at the Asia Pacific Entrepreneurship Awards organised by Enterprise Asia, a regional non-governmental organisation for entrepreneurship. The award was in recognition of outstanding achievements, visionary leadership and steadfast dedication that led to the successful growth of the Hong Leong Group for over five decades. That same year, he clinched the inaugural Global Blue Ocean Shift Award, given at the Global Entrepreneurship Community Summit in Kuala Lumpur. Mr Kwek was awarded the Singapore Tatler Diamond Award (Lifetime Achievement) 2018, in recognition of his exceptional leadership that led Hong Leong Group to grow into a globally diversified enterprise.

Mr Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators. He was also conferred an Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US) and an Honorary Doctorate from Oxford Brookes University (UK).

BOARD OF DIRECTORS

KWEK LENG PECK / 63

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

First appointment as Director

1 January 1998

Last re-election as Director

25 April 2019

Board committees

- Executive Committee (Member, and also as alternate to the Chairman)
- Board Risk Committee (Member)
- Hong Leong Finance Share Option Scheme 2001 Committee (Member)

Present directorships in other listed companies* and principal commitments

- Hong Leong Asia Ltd.* ("HLA") (Executive Chairman)
- City Developments Limited* (Non-Executive Director)
- Tasek Corporation Berhad* (Non-Executive Chairman)
- China Yuchai International Limited* (Non-Executive Director)
- Hong Leong Investment Holdings Pte. Ltd. (Executive Director)
- Hong Leong Corporation Holdings Pte. Ltd. (Executive Director)
- Millennium & Copthorne Hotels Limited (Non-Executive Director)

Other appointments

Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years

- Millennium & Copthorne Hotels plc* (Non-Executive Director) (*delisted and privatized in 2019, and now known as Millennium & Copthorne Hotels Limited*)

Mr Kwek has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management as well as extensive involvement in Hong Leong Group real estate developments, investments and hotel operations.

With his in-depth knowledge of the HLA group business, Mr Kwek has overseen the growth of the HLA group over the last three decades from an integrated building materials group in the 1980s and 1990s to being also a major player in the consumer products and diesel engines industries in China beginning in the 2000s.

KWEK LENG KEE / 65
NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

First appointment as Director
1 September 2001

Last re-election as Director
26 April 2018

Board committees
Nil

Present directorships in other listed companies* and principal commitments

- Hong Leong Holdings Limited (“HLH”) (Assistant Managing Director)
- Tripartite Developers Pte. Limited (Director)

Other appointments
Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years
Nil

Mr Kwek has more than 35 years of experience in property investment, property development and the building and construction materials business. As the Assistant Managing Director of HLH, he spearheaded the establishment, and oversees the operation, of its subsidiary in Chengdu, People’s Republic of China since 2012. Prior to that, he also had many years of experience in a large Beijing project which was successfully completed in 1996. He continues to be a director of Beijing Hong Gong Garden Villa House Property Development Co., Ltd.

He was also appointed as Justice of the Peace by the Prime Minister’s Office in May 2008 and was also awarded the Public Service Medal (PBM) in 1998, Public Service Star (BBM) in 2004 and the Public Service Star (Bar) on National Day 2014 in recognition of his significant contributions in public service and community work and support towards Singapore.

KEVIN HANGCHI / 47
NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

First appointment as Director
1 October 2016

Last re-election as Director
26 April 2017
(Will be seeking re-election at the 2020 Annual General Meeting)

Board committees

- Board Risk Committee (Member)
- Board Sustainability Committee (Member)

Present directorships in other listed companies* and principal commitments

- Millennium & Copthorne Hotels New Zealand Limited* (Non-Executive Director)
- Hong Leong Management Services Pte Ltd (Senior Vice President)

Other appointments
Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years
Nil

Mr Hangchi joined the Hong Leong Group, Singapore in 1999 and has garnered extensive global transactional experience across many of the Hong Leong Group’s entities which include listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities. Prior to that, he was an Advocate and Solicitor in Allen & Gledhill LLP from 1997 to 1999.

Mr Hangchi graduated from the University of Southampton in the United Kingdom with a BSc (Social Sciences) (Hons) Degree in Accounting and Law. He was called to the English Bar and admitted to the Rolls as a Barrister-At-Law (Middle Temple) and was also called to the Singapore Bar.

Note:

Hong Leong Investment Holdings Pte. Ltd. is the immediate and ultimate holding company of the Company. City Developments Limited (“CDL”), Hong Leong Asia Ltd., Tasek Corporation Berhad, China Yuchai International Limited, Hong Leong Corporation Holdings Pte. Ltd., Hong Leong Holdings Limited, Tripartite Developers Pte. Limited and Hong Leong Management Services Pte Ltd are related companies under the Hong Leong Group of companies. Millennium & Copthorne Hotels New Zealand Limited and Millennium & Copthorne Hotels Limited are subsidiaries of CDL.

BOARD OF DIRECTORS

CHNG BENG HUA / 54
NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

First appointment as Director
1 July 2000

Last re-election as Director
26 April 2017
(Will be seeking re-election at the 2020 Annual General Meeting)

Board committees
Nil

Present directorships in other listed companies* and principal commitments

- International Cement Group Ltd* (Executive Director)

Other appointments
Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years

- Compact Metal Industries Ltd* (Chief Executive Officer) (*delisted and privatized in 2019*)

Mr Chng has many years of working experience in finance, management of hotel and service apartment, and real estate development. He sits on the board of Orchard Grand Court Pte Ltd which owns a serviced apartment consisting of 186 units, and Orchid Hotel Pte Ltd which owns a hotel with 272 guestrooms. He also sits on the board of International Cement Group Ltd as an Executive Director.

He holds a Bachelor of Business Administration (Finance) from the University of Texas, Austin, USA.

CHENG SHAO SHIONG @ BERTIE CHENG / 82
NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

First appointment as Director
23 April 2004

Last re-election as Director
25 April 2019

Board committees

- Executive Committee (Member)
- Board Risk Committee (Chairman)
- Nominating Committee (Chairman)
- Remuneration Committee (Member)
- Hong Leong Finance Share Option Scheme 2001 Committee (Member)

Present directorships in other listed companies* and principal commitments

- TeleChoice International Limited* (Non-Executive Chairman)
- Pacific Andes Resources Development Limited* (Non-Executive Director)
- Baiduri Bank Bhd, Brunei (Non-Executive Director)

Other appointments

- Singapore General Hospital, Medifund Committee (Chairman)
- Consumers Association of Singapore (CASE) Endowment Fund, Board of Trustees (Vice-Chairman)
- POSBank (Advisor)

Past directorships in other listed companies* and principal commitments held in the preceding five years

- TEE International Limited* (Non-Executive Chairman)

Mr Cheng retired as the Chief Executive Officer of POSBank in July 1997 and was appointed as Advisor to POSBank on 1 June 2010. Mr Cheng was also the Group Managing Director of Thomson Medical Centre Limited from March 1999 to March 2001. He received the Public Administration Medal (Silver) in 1984, the Public Service Medal in 2001 and the Friend of Labour Award from the National Trades Union Congress in 2008.

Mr Cheng holds a Bachelor of Arts Degree in Economics (Honours) from the then University of Malaya in Singapore.

PO'AD BIN SHAIK ABU BAKAR MATTAR / 72
NON-EXECUTIVE AND
LEAD INDEPENDENT DIRECTOR

First appointment as Director

24 April 2009

Appointed Lead Independent Director on
1 September 2010

Last re-election as Director

25 April 2019

Board committees

- Audit Committee (Chairman)
- Nominating Committee (Member)

**Present directorships in other listed companies*
and principal commitments**

- Public Service Commission (Member)
- Council of Presidential Advisers (Member)
- National University of Singapore (Pro-Chancellor)

Other appointments

Nil

**Past directorships in other listed companies*
and principal commitments held in the
preceding five years**

Nil

Mr Mattar was the former Senior Partner of Deloitte & Touche until his retirement in March 2006. Mr Mattar also sits on other bodies in both the private and public sectors.

Mr Mattar holds a Bachelor of Accountancy from the then University of Singapore and a Master in Management from the Asian Institute of Management (Makati, Philippines). He is also a member of the Institute of Singapore Chartered Accountants.

TER KIM CHEU / 73
NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

First appointment as Director

1 September 2010

Last re-election as Director

26 April 2017¹

(Will be seeking re-election at the 2020 Annual
General Meeting)

Board committees

- Board Sustainability Committee (Chairman)
- Audit Committee (Member)
- Executive Committee (Member)
- Remuneration Committee (Member)
- Hong Leong Finance Share Option Scheme
2001 Committee (Member)

**Present directorships in other listed companies*
and principal commitments**

Nil

Other appointments

Nil

**Past directorships in other listed companies*
and principal commitments held in the
preceding five years**

- Kimly Limited* (Non-Executive Director)

Mr Ter retired from the Singapore Legal Service after over 30 years of service. Prior to his retirement in 2008, he was the Parliamentary Counsel and Principal Senior State Counsel (Legislation Division), Attorney-General's Chambers, Singapore and a Law Revision Commissioner of Singapore.

He is a member of the Strata Titles Board of Singapore. He also provides legislative consultancy services overseas.

Mr Ter holds a Bachelor of Social Sciences (Hons) Degree from the then University of Singapore and Bachelor of Law and Master of Law Degrees from the University of London. He is also a Barrister-at-Law, having been called to the English Bar at Lincoln's Inn and an Advocate & Solicitor of the Supreme Court of Singapore.

BOARD OF DIRECTORS

RAYMOND LIM SIANG KEAT / 60

NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

First appointment as Director

1 March 2012

Last re-election as Director

26 April 2018

Board committees

- Executive Committee (Member)
- Board Risk Committee (Member)

Present directorships in other listed companies* and principal commitments

- Raffles Medical Group Limited* (Independent Director)
- Swire Properties Limited* (Non-Executive Director)
- APS Asset Management Pte Ltd (Executive Chairman)

Other appointments

- Swire Group (Senior Advisor), a Hong Kong-based industrial conglomerate
- Lee Kuan Yew School of Public Policy, National University of Singapore (Adjunct Professor)
- Nanyang Centre of Public Administration, Nanyang Technological University (Adjunct Professor)

Past directorships in other listed companies* and principal commitments held in the preceding five years

- Insurance Australia Group Limited* (Non-Executive Director)

Mr Lim is a former Cabinet Minister in the Singapore Government. He has held various ministerial positions including Foreign Affairs, Trade and Industry, Finance and Transport from 2001 to 2011.

Prior to entering politics in 2001, Mr Lim held various senior positions in the financial industry including as a Managing Director of Temasek Holdings (Private) Limited, Group Chief Executive Officer of DBS Vickers Securities Holdings Pte Ltd and Chief Economist for Asia with ABN AMRO Asia Securities (Singapore) Pte Limited.

A Rhodes Scholar, Mr Lim graduated with First Class Honours in the Master of Law at Cambridge University and a B.A. (Jurisprudence) from Oxford University. He also has a First Class Honours Degree in Economics from the University of Adelaide under the Colombo Plan scholarship.

PETER CHAY FOOK YUEN / 60

NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

First appointment as Director

11 June 2019

Last re-election as Director

Not applicable
(Will be seeking election at the 2020 Annual General Meeting)

Board committees

- Board Risk Committee (Member)
- Remuneration Committee (Chairman)
- Hong Leong Finance Share Option Scheme 2001 Committee (Chairman)

Present directorships in other listed companies* and principal commitments

Nil

Other appointments

Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years

KPMG LLP (Deputy Managing Partner)

He has over 30 years of experience in auditing and advisory work across various industries, primarily in real estate, financial institutions and healthcare, and specific experience in corporate restructuring, insolvency and corporate finance related work.

He retired from the Company's current audit firm, KPMG LLP in September 2017. At the time of his retirement, he was the Deputy Managing Partner, a position he held since 2010. Prior to his appointment as Deputy Managing Partner, he was the Head of Financial Advisory Services (2005 to 2009) and had direct oversight responsibility over services provided by various business units including restructuring, merger and acquisition, transaction advisory services and forensic accounting. During the preceding years prior to his retirement from KPMG LLP, he was particularly active in the provision of corporate restructuring and insolvency services, acting as liquidator, receiver and manager and judicial manager on a number of engagements.

Mr Chay graduated with a Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of New South Wales, Australia. He is a Fellow of the Institute of Singapore Chartered Accountants and a member of the Institute of Chartered Accountants in Australia. He is also an approved liquidator.

TAN TEE HOW / 60
NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

First appointment as Director

11 June 2019

Last re-election as Director

Not applicable

(Will be seeking election at the 2020 Annual General Meeting)

Board committees

- Audit Committee (Member)
- Board Risk Committee (Member)

Present directorships in other listed companies* and principal commitments

- Chip Eng Seng Corporation Ltd* ("CES") (Executive Director)
- Casino Regulatory Authority (Chairman)
- National Healthcare Group (Deputy Chairman)

Other appointments

- Panel of Experts, Singapore Co-operation Enterprise (Member)

Past directorships in other listed companies* and principal commitments held in the preceding five years

- Commissioner of Inland Revenue of Singapore ("IRAS") and concurrently the Chief Executive Officer ("CEO") of IRAS

Prior to his joining CES in February 2018, Mr Tan had served 34 years in the Singapore Administrative Service, holding various key appointments, including Principal Private Secretary to the then-Prime Minister, Mr Goh Chok Tong (from 1997 to 2000) and founding CEO of National Healthcare Group (from 2000 to 2004). He was the Permanent Secretary of the Ministry of National Development (from 2004 to 2011) and of the Ministry of Home Affairs (from 2011 to 2014). From 2014 to 2018, he was the Commissioner of IRAS and concurrently the CEO of IRAS. Mr Tan retired from public service in 2018.

He holds a Bachelor of Business Administration (Honours) Degree from the National University of Singapore and a Master of Public Administration Degree from Harvard University. He attended the Wharton Business School Advanced Management Programme in 2002. He was awarded a Fulbright Fellowship in 1989/90.

TAN SIEW SAN / 68
NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

First appointment as Director

11 June 2019

Last re-election as Director

Not applicable

(Will be seeking election at the 2020 Annual General Meeting)

Board committees

- Board Sustainability Committee (Member)

Present directorships in other listed companies* and principal commitments

- DOD Biotech Public Company Limited* (Independent Director)
- P5 Capital Holdings Ltd.* (Independent Director)
- Triton Holding Public Company Limited* (Independent Director)

Other appointments

Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years

Ambassador Extraordinary and Plenipotentiary to the Kingdom of Thailand

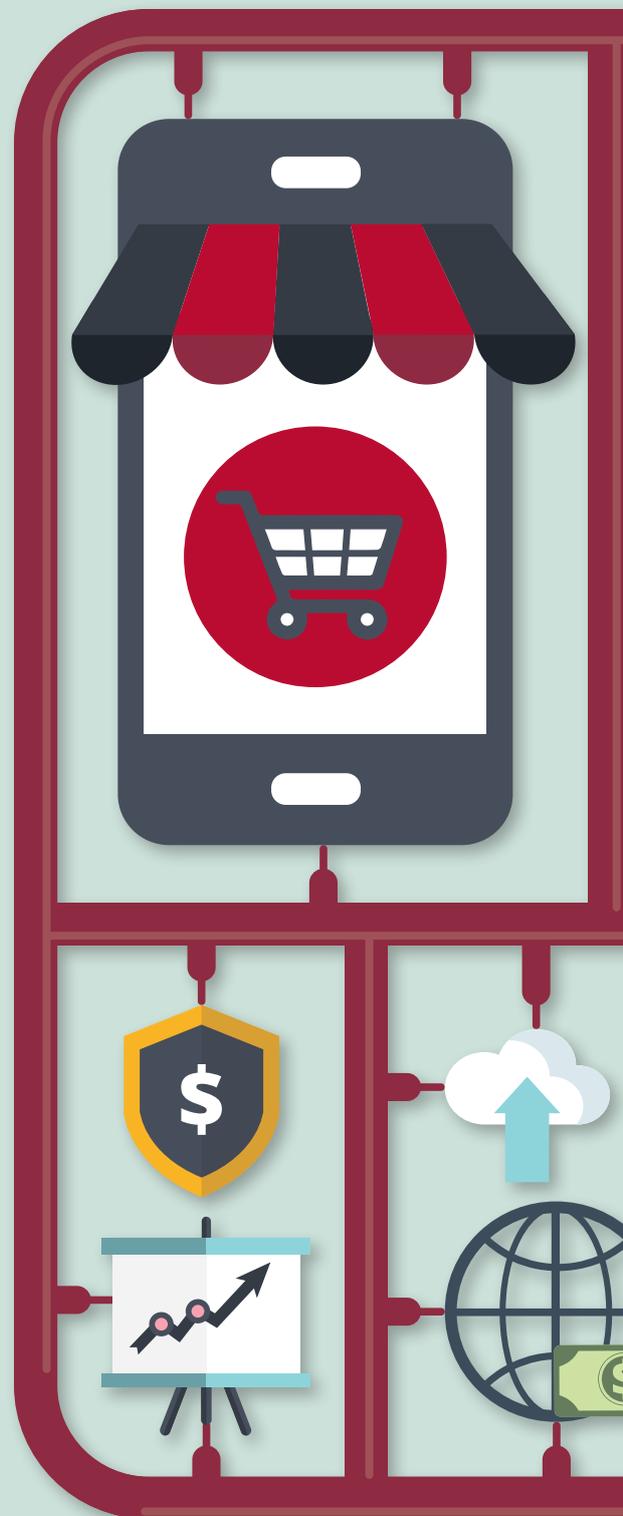
Ms Tan was Singapore's Ambassador to the Kingdom of Thailand from March 2012 to May 2019, and retired from the Singapore civil service in June 2019. She started her career as an analyst in the Ministry of Defence ("Mindef") in 1974 and headed the Research department in Mindef from 1983 to 1995. Appointed Deputy Secretary (Policy) in Mindef in 1995, her area of responsibilities included strategic issues, defence relations, national education, military security and public affairs. She was appointed Deputy Secretary (Asia Pacific) in the Ministry of Foreign Affairs in October 2006, which appointment was held until her posting as Ambassador to Thailand in March 2012.

During her public service career, Ms Tan was awarded the Public Administration Medal (Silver) in 1990 and the Public Administration Medal (Gold) in 1999.

A graduate with a Bachelor of Social Science (Political Science), Second Class Honours (Upper) from the University of Singapore, she also obtained a Master of Arts (Political Science) from the University of Wisconsin-Madison, USA on a Fulbright-Hays scholarship.

MOVING WITH THE TIMES

The global economy is evolving and so must we. As we move into a new era of digital connectivity, Hong Leong Finance has similarly embarked on a transformation journey to stay ahead of changing times. This includes a roll-out of robotic processing automation and digitalisation of loan processing – building on innovative initiatives that enable us to stay relevant and enhance long-term trust.





CORPORATE GOVERNANCE REPORT

Hong Leong Finance Limited ("HLF" or the "Company") is committed to maintaining a high standard of business integrity, professionalism and governance in its business dealings. To demonstrate its commitment towards excellence in corporate governance, HLF joined the Securities Investors Association Singapore ("SIAS") and its partners in 2019 in making the following public Statement of Support at the 10th Singapore Corporate Governance Week 2019 organised by the SIAS in September 2019:

"As an Organisation, we are committed to upholding high standards of corporate governance to enhance shareholder value. We believe in practising good corporate governance is central to the health and stability of our financial markets and economy."

At the SIAS Investors' Choice Awards 2019, HLF was conferred Runner Up in the Finance category for the Most Transparent Company, Finance Award.

The Company has complied with Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual") by describing in this report its corporate governance ("CG") practices with specific reference to the updated principles and provisions in the revised Code of Corporate Governance ("2018 Code"). Where the Company's practices differ from the principles under the 2018 Code, these differences and the Company's position in respect of the same are explained in this report.

BOARD OF DIRECTORS

Mr Kwek Leng Beng
Executive Chairman & Managing Director

Non-executive and Non-independent Directors

Mr Kwek Leng Peck
Mr Kwek Leng Kee
Mr Kevin Hangchi

Independent Directors

Mr Po'ad Mattar, Lead Independent Director
Mr Chng Beng Hua
Mr Bertie Cheng
Mr Ter Kim Cheu
Mr Raymond Lim
Mr Peter Chay
Mr Tan Tee How
Ms Tan Siew San

KEY OBJECTIVES

Provides leadership by setting the strategic objectives of the Company together with the Senior Management team to achieve long-term success for the Company. Oversees the performance of the Company for accountability to shareholders by ensuring that necessary financial, operational and human resources are in place for the Company to meet its strategic objectives, which are supported by an adequate and effective system of risk management and internal controls.

BOARD COMMITTEE	COMPOSITION	KEY OBJECTIVES
Executive Committee	Mr Kwek Leng Beng <i>Chairman</i> Mr Kwek Leng Peck <i>also as alternate to chairman</i> Mr Bertie Cheng Mr Ter Kim Cheu Mr Raymond Lim	Deliberates on Board matters between Board meetings and approves banking-related matters and acquisition and divestment transactions up to certain limits.
Audit Committee	Mr Po'ad Mattar <i>Chairman</i> Mr Ter Kim Cheu Mr Tan Tee How	Assists the Board in the review of the Company's financial reporting, internal accounting controls and audit function.
Board Risk Committee	Mr Bertie Cheng <i>Chairman</i> Mr Kwek Leng Beng Mr Kwek Leng Peck Mr Kevin Hangchi Mr Raymond Lim Mr Peter Chay Mr Tan Tee How	Assists the Board on matters relating to the review and management of the Company's key risks under a risk management framework.
Nominating Committee	Mr Bertie Cheng <i>Chairman</i> Mr Kwek Leng Beng Mr Po'ad Mattar	Assists the Board in its succession plan through the review of board size, composition and skills set and provides recommendations on the independence of directors, appointment, re-nomination and retirement of Directors. Assists the Board in the evaluation of the performance of the Board, the Board Committees and the Directors
Remuneration Committee	Mr Peter Chay <i>Chairman</i> Mr Bertie Cheng Mr Ter Kim Cheu	Assists the Board in the review and determination of the remuneration of the Board and the Key Management Personnel, including setting appropriate remuneration frameworks and policies to reflect a performance-based remuneration system.
Hong Leong Finance Share Option Scheme 2001 Committee	Mr Peter Chay <i>Chairman</i> Mr Kwek Leng Peck Mr Bertie Cheng Mr Ter Kim Cheu	Reviews and approves the grant of options to eligible participants pursuant to the terms of the Company's Share Option Scheme.
Board Sustainability Committee	Mr Ter Kim Cheu <i>Chairman</i> Mr Kevin Hangchi Ms Tan Siew San	Assists the Board in the review of the Company's sustainability issues, initiatives and performance and reviews the Company's sustainability reports.

CORPORATE GOVERNANCE REPORT

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Primary Functions of the Board

The Board oversees the Company's business and its performance under its collective responsibility for the long-term success of the Company, working with the Senior Management to achieve the strategic objectives of the Company. The Board's primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial and human resources are in place for the Company to meet its objectives, review the Company's performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("IT") controls) and risk management for the safeguarding of shareholders' interests and the Company's assets. The Board assumes responsibility for good corporate governance and sets the Company's corporate values and ethical standards through the Company's policies with a view to ensuring that its obligations to shareholders and stakeholders are clearly understood and met.

Sustainability

The Board is committed to the Company's strategic approach to integrating sustainability in its business and operations, and to advance the Company's sustainability efforts.

In this regard, the Board has delegated to the Board Sustainability Committee ("BSC") the general oversight of the Board's attention to sustainability issues and sustainability reporting. The BSC comprises three Directors, all of whom are non-executive Directors with the majority being independent. The BSC's terms of reference set out, *inter alia*, the roles and responsibilities of the BSC and include its purview over matters relating to the environmental, social and governance ("ESG") framework, ESG targets, the sustainability reporting framework and the Company's policies, practices and performance on its material ESG factors which are significant and contribute to the Company's performance, business activities, and/or reputation as a corporate citizen. Further information on the Company's sustainability practices are set out in the Sustainability Report on pages 54 to 73 of this Annual Report 2019 ("AR").

Directors' Objective Discharge of Duties and Declaration of Interests

(Provision 1.1)

All Directors being fiduciaries, are required to objectively discharge their duties and responsibilities in the interests

of the Company. This ability to exercise objectivity is one of the assessment criteria in the Nominating Committee's ("NC") annual evaluation of the Directors.

Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50 and the Finance Companies Act, Chapter 108, and in the case of any conflicts or potential conflicts of interests, abstain from deliberation and decision-making on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the committees established by the Board.

Accountability of the Board and Management (Provision 1.1)

The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has established various corporate policies as necessary which provide a communicable and understandable framework for staff to observe the Company's principles on honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with the Company's stakeholders, including customers, suppliers and employees. Further details of these policies are described in the segment entitled 'Corporate Values and Conduct of Business' at the end of this report.

Board Orientation and Training (Provision 1.2)

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislation. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director and where applicable, a member of the relevant Board Committees, the Company's business, Board processes, corporate governance practices, relevant Company policies and procedures as well as a meeting calendar for the year with a brief of the routine agenda for each meeting of the Board and where applicable, the Board Committees.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Board Committees, which seeks to familiarise Directors with the Company's business, board processes, internal controls and governance practices, and in the case of appointments to any of the Board Committees, the role and responsibilities of such Board Committees. The induction programme includes meetings with various key executives

of the Management team to allow the new Directors to be acquainted with, and to facilitate their independent access to the Management team in future. The programme also includes briefings by the Management team on key areas of the Company's operations.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be required to also attend certain specific modules of the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the Listing Manual. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual and the 2018 Code.

Three new independent non-executive Directors ("IDs"), namely Mr Peter Chay, Mr Tan Tee How and Ms Tan Siew San were appointed in June 2019. They attended the induction programmes conducted by the Company. Ms Tan being a first time Director also completed the requisite training conducted by the SID in July 2019. Mr Chay, although a first time Director, was not required to undergo the same requisite training as the NC was of the view that Mr Chay has sufficient knowledge on the roles and responsibilities of a listed company director given his extensive experience in auditing and advisory work especially in connection with advisory work provided to listed companies and taking into account his past and present experience as a director and audit committee member of two charities.

The Directors are provided with updates and/or briefings from time to time by professional advisors, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislation, risk management and financial reporting standards. The Directors are also regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the SID and the Directors are encouraged to attend such training at the Company's expense. The NC and the Board are kept informed of the trainings attended by the Directors during the year. As part of the NC's annual assessment of the skills set of the Board and the respective Board Committees, the NC would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/briefings provided to the Directors from time to time.

An in-house seminar was conducted by invited speakers in 2019, on the following topics:

1. Climate Change & Sustainable Development Goals (SDGs): Challenges and Opportunities for Businesses
2. Are Businesses Well Prepared for Rising Heat & Sea Levels: Climate Change Scenario Planning
3. Sustainability Reporting Best Practices: Materiality Study and External Assurance
4. Sustainable Financing – Disclosure Strategy and Assurance Processes

In 2019, the Directors also attended two in-house trainings on anti-money laundering and countering financing of terrorism conducted by KPMG LLP and cybersecurity trends and awareness conducted by Ensign InfoSecurity.

The AC members were also provided with a briefing from the Company's external auditors on applicable Accounting Standards updates during the year.

All Board members attended various training seminars and workshops in 2019 which accounted for almost 100 training hours in aggregate.

In addition to the training courses/programmes and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Company's operations.

Board Approval (Provision 1.3)

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and this includes the setting of strategic direction or policies or financial objectives which have or may have material impact on the profitability or performance of the Company, decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector, corporate or financial restructuring, significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business, material acquisition and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislation as well as the provisions of the Company's Constitution.

The Company also has in place an authorisation matrix for various matters including limits for the granting of loans, guarantees or other credit facilities, corporate finance activities, operation of banking accounts, investments, capital expenditure and lease of properties.

CORPORATE GOVERNANCE REPORT

Management is fully apprised of such matters which require the approval of the Board or the Board Committees. The Company also has a structured authority matrix which sets out the delegated authority to the various levels of Management.

Delegation by the Board

(Provision 1.4)

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Executive Committee ("Exco"), the Audit Committee ("AC"), the Board Risk Committee ("BRC"), the NC, the Remuneration Committee ("RC"), the Hong Leong Finance Share Option Scheme 2001 ("SOS") Committee ("SOSC") and the BSC, all collectively referred to hereafter as the Board Committees.

Specific written terms of reference for each of these Board Committees set out the composition, authority and responsibilities of the Board Committees and require each Board Committee to submit at least an annual report of its activities to the Board. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance taking into consideration the changes in the governance and regulatory environment.

The Board has also placed its members, including independent non-executive Directors, from time to time on management committees such as the Loan Sub-Committee and Management Sub-Committees to provide independent review and as a check and balance on the work of those committees involved in the approval of loan and credit proposals, as well as the Corporate Finance Committee to approve specific matters relating to the Company's provision of corporate financial advisory services. The powers and authorisation limits of the relevant management committees are also approved by the Board.

The delegation of authority by the Board to the Board Committees and management committees enables the Board to achieve operational efficiency by empowering these committees to decide on matters within their respective terms of reference and/or limits of delegated authority, and yet without abdicating the Board's overall responsibility.

The Exco comprises five Directors with majority of its members being non-executive. The Exco's principal responsibility as set out in its terms of reference, approved by the Board, is to assist the Board in the discharge of its duties including, in particular, assisting the Board in approving banking-related matters such as opening, closing and operation of banking accounts of the Company and bank facilities (including money market placements) granted to the Company, granting by the Company of loans, guarantees or credit facilities up to a limit fixed by the Board, and approving transactions (acquisition/

disposal of certain assets and purchase of investments and certain marketable securities) other than those which are of a dealing nature and in the ordinary course of business and provided that such transactions are non-discloseable pursuant to the Listing Manual up to limits authorised by the Board.

Please refer to the sections on Principles 4, 6, 9 and 10 in this report for further information on the activities of the NC, RC, BRC and AC. Information on the activities of the BSC can be found under the 'Sustainability' paragraph within this section on Principle 1 in the earlier part of this report. Information on the activities of the SOSC can be found in the Directors' Statement on pages 88 to 89 and in the Financial Statements on pages 118 to 121 of the AR.

Board and Board Committee Meetings

(Provision 1.5)

Board and Board Committee meetings are held regularly. Five Board meetings were held in 2019. At the quarterly Board meetings held in 2019, the Board agenda included updates by the Senior Management on the Company's financial performance and updates on the Company's strategic initiatives. In addition to the quarterly Board meetings, a separate Board meeting was convened in 2019 to review the Company's strategic direction, including specific business strategies.

A meeting of the non-executive Directors ("NEDs") chaired by the Lead Independent Director ("Lead ID") was held in 2019. Meetings of the NEDs and the IDs are convened as often as may be warranted by circumstances. No meeting of the IDs was required to be convened in 2019.

The proposed meetings for the Board, all Board Committees and the NEDs for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. The Company's Constitution allows for the meetings of its Board and the Board Committees to be held via teleconferencing or video conferencing. The Board and Board Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at the annual general meeting ("AGM") and at meetings of the Board, the Board Committees and the NEDs, as well as the frequency of such meetings in 2019, is disclosed in the following page. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at the AGM and at meetings of the Board and/or the Board Committees and/or the NEDs. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and through strategic

networking relationships which would further the interests of the Company. The Directors also, whether individually or collectively, engage with the Senior Management to better

understand the challenges faced by the Company and the inputs of the Directors, through such engagement, provide valuable perspective to the Management.

Directors' Attendance at the AGM, and Meetings of the Board, Board Committees and the NEDs in 2019 (Provision 1.5)

(a)	Board	Exco	AC	NC	RC	SOSC	BRC	BSC	NEDs
Number of meetings held in 2019:	5	2	5	4	2	1	2	2	1
Name of Directors	Number of meetings attended in 2019								
Kwek Leng Beng	5/5	2/2	N.A.	4/4	N.A.	N.A.	2/2	N.A.	N.A.
Kwek Leng Peck	5/5	1/2 ⁽¹⁾	N.A.	N.A.	N.A.	1/1	1/2 ⁽¹⁾	N.A.	1/1
Kwek Leng Kee	2/5 ⁽¹⁾	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1/1
Kevin Hangchi	5/5	N.A.	N.A.	N.A.	N.A.	N.A.	2/2	2/2	1/1
Chng Beng Hua	5/5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1/1
Cheng Shao Shiong @ Bertie Cheng	5/5	2	3/3 ⁽²⁾	4/4	2/2	1/1	2/2	N.A.	0 ⁽¹⁾
Po'ad bin Shaik Abu Bakar Mattar	5/5	N.A.	5/5	4/4	1/2 ⁽³⁾	N.A. ⁽³⁾	N.A.	N.A.	1/1
Ter Kim Cheu	5/5	2/2	5/5	N.A.	2/2	1/1	N.A.	2/2	1/1
Raymond Lim Siang Keat	4/5 ⁽¹⁾	2/2	N.A.	N.A.	N.A.	N.A.	1/2 ⁽¹⁾	1/2 ⁽⁴⁾	1/1
Peter Chay Fook Yuen	2/2 ⁽⁵⁾	N.A.	N.A.	N.A.	1/1 ⁽⁵⁾	1/1 ⁽⁵⁾	1/1	N.A.	1/1
Tan Tee How	2/2 ⁽⁶⁾	N.A.	2/2 ⁽⁶⁾	N.A.	N.A.	N.A.	1/1 ⁽⁶⁾	N.A.	1/1
Tan Siew San	2/2 ⁽⁷⁾	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1/1 ⁽⁷⁾	1/1 ⁽⁷⁾

Notes:

- (1) These Directors were unable to attend the indicated meetings due to medical reasons, urgent engagements or urgent travel commitments that arose.
- (2) Mr Bertie Cheng resigned as a member of the AC on 11 June 2019.
- (3) Mr Po'ad Mattar resigned as the Chairman of the RC and SOSC on 11 June 2019.
- (4) Mr Raymond Lim resigned as a member of the BSC on 11 June 2019.
- (5) Mr Peter Chay was appointed a Director, the Chairman of the RC and SOSC and a member of the BRC, on 11 June 2019.
- (6) Mr Tan Tee How was appointed a Director and a member of the AC and BRC, on 11 June 2019.
- (7) Ms Tan Siew San was appointed a Director and a member of the BSC on 11 June 2019.

(b) All the Directors, except for Mr Chay, Mr Tan and Ms Tan who were only appointed on 11 June 2019, were present at the Company's AGM held in April 2019.

Directors' Multiple Board Representations and Time Commitments (Provision 1.5)

When considering the re-nomination of Directors for election/re-election, the NC also considers the competing time commitments faced by Directors with multiple listed company board representations and/or other principal commitments. An analysis of the directorships (which includes directorships within corporate groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his duties as a Director of the Company. Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which are

also evident in their level of attendance and participation at Board and Board Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as Directors of the Company.

Having considered this issue, the NC does not recommend setting a maximum number of listed company board representations that a Director may hold. The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than to prescribe a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

CORPORATE GOVERNANCE REPORT

In addition to the current procedures for the review of the attendance records and analysis of directorships/principal commitments, a policy has been put in place for Directors to consult the Board Chairman and the chairman of the NC prior to accepting any new listed company board appointments or principal commitments and notifying the Board of any changes in their external appointments. This would allow the Directors to review their time commitments with the proposed new appointments and in the case of an independent Director, to also ensure that his independence would not be affected.

Complete, Adequate and Timely Information (Provision 1.6)

Prior to each meeting, members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's external auditors and professional advisors who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings.

Management also provides all Directors with monthly updates on the Company's financial performance including analysis of the said updates. Any material variance between the month and year-to-date ("YTD") under review as compared to the immediate preceding month, the YTD of the preceding year, and the YTD budget, are disclosed and explained. Where the Board's or a Board Committee's approval is sought, relevant background and explanatory information on the specific matter is provided to enable Directors to understand the issues and to request for further disclosures, as necessary.

Draft agendas for Board and Board Committee meetings are circulated to the Board Chairman and the chairmen of the Board Committees, in advance, for them to review and suggest items for the agenda. The Board and the Board Committees are also furnished with routine reports, where applicable from Management. Each of the chairmen of the AC, NC, BSC, RC, SOSOC and Exco provides an annual report of the respective committee's activities during the year under review to the Board. The chairman of the BRC provides reports to the Board twice yearly on its activities. The minutes of meetings of the Board Committees are circulated to all Board members.

The role and responsibilities of Management and their reporting relationships are set out in the Company's organisation structure which is tabled annually and as and when there are changes, for noting by the Board. Directors have separate and independent access to Management.

Access to Management, Company Secretary and Independent Professional Advisors (Provision 1.7)

All Directors have direct and independent access to Management. To facilitate this access, all Directors are provided the contact details of the key management personnel and other Senior Management members.

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and where circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice

The Company Secretary, whose appointment and removal are subject to the Board's approval, attends Board meetings and meetings of the AC, NC, RC, SOSOC, BRC, BSC, NEDs and IDs and ensures that Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with the applicable statutory and regulatory rules. Together with Management, she also advises the Board Chairman, the Board and Board Committees on corporate governance matters and assists to implement and strengthen corporate governance practices and processes, including ensuring good information flows within the Board and the Board Committees and between the Directors and Management, facilitating the induction for newly appointed Directors and newly appointed Board Committee members, and assisting in the continuing training and development for the Directors. On an on-going basis, the Directors have separate and independent access to the Company Secretary.

Principle 2: Board Composition and Guidance

Board Independence (Provisions 2.1, 2.2 and 2.3)

The Board currently comprises twelve members. All members of the Board except for the Chairman of the Board ("Board Chairman") are NEDs. Of the eleven NEDs, the Board has determined eight of them, being more than half of the Board, to be independent ("8 IDs"), thus providing for a strong and independent element on the Board capable of exercising objective judgement on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision-making. No alternate Directors have been appointed in respect of any of the Directors.

When determining the independence of the 8 IDs, the NC has considered the applicable Rule 210(5)(d) of the

Listing Manual and the guidelines for independence set out in Provision 2.1 of the 2018 Code. As part of the consideration, the NC also took into account their other directorships, annual declarations regarding their independence, disclosures of interests in transactions in which they have a direct/indirect interest, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation and decision-making on such transactions, and their ability to maintain objectivity in their conduct as Directors of the Company.

The 8 IDs are Mr Chng Beng Hua, Mr Bertie Cheng, Mr Po'ad Mattar, Mr Ter Kim Cheu, Mr Raymond Lim, Mr Peter Chay, Mr Tan Tee How and Ms Tan Siew San. In accordance with Rule 210(5)(d) of the Listing Manual, none of the 8 IDs are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations. None of the 8 IDs have immediate family members who are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations, and whose remuneration is determined by the RC. For purposes of determining independence, the 8 IDs have also provided confirmation that they are not related to the Directors and substantial shareholders of the Company. Each of the 8 IDs abstained from deliberation of their own independence. The NC is satisfied that there is no other relationship which could affect their independence. The Board concurred with the NC's determination of the independence of the 8 IDs.

Of the 8 IDs, four of them, namely Mr Chng Beng Hua, Mr Bertie Cheng, Mr Po'ad Mattar and Mr Ter Kim Cheu ("4 IDs") have served on the Board for more than nine years since their appointment to the Board on 1 July 2000, 23 April 2004, 24 April 2009 and 1 September 2010 respectively. In considering the independence of these 4 IDs, the Board took into consideration factors such as whether they have expressed their individual viewpoints and debated issues constructively during meetings of the Board and Board Committees (where applicable), whether they have constructively challenged and sought clarification from Management as and when necessary and whether they have avoided apparent conflicts of interest by abstaining from deliberation on matters in which they have an interest in. Having considered the feedback from the Board members, the Board determined that these 4 IDs are independent notwithstanding they have served on the Board beyond nine years as they have continued to demonstrate strong independence in character and judgement in the discharge of their responsibilities as Directors of the Company. They had also avoided apparent conflicts of interests especially by abstaining from deliberation on transactions in which they had a direct/indirect interest and were able to maintain objectivity in their conduct as Directors of the Company. They had objectively raised issues and sought clarification as and when necessary from the Board, Management and

the Company's external advisors on matters pertaining to their area of responsibilities whether on the Board or on the Board Committees. The Company has also benefitted from their years of experience in their respective fields of expertise.

Of the 4 IDs, Mr Chng Beng Hua and Mr Ter Kim Cheu will be seeking re-election at the Company's AGM in April 2020. Having considered their independence, the Board therefore recommends the re-election of Mr Chng Beng Hua and Mr Ter Kim Cheu as IDs of the Company.

Board Composition, Size and Diversity (Provision 2.4)

The NC reviews the size and composition mix of the Board and Board Committees annually. At the recommendation of the NC, the Board had adopted in 2018 a formal Board Diversity Policy, setting out its policy and framework for promoting diversity on the Board. The Board recognises that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

In this regard, the NC will strive to ensure that:

- (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates;
- (b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for consideration; and
- (c) female representation on the Board be continually improved over time based on the set objectives of the Board.

The final decision on selection of Directors will however be based on merit against an objective criterion that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board.

When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the NC will consider all aspects of diversity to arrive at an optimum balanced composition of the Board.

CORPORATE GOVERNANCE REPORT

The Board currently comprises business leaders and professionals with financial (including audit and accounting), banking, legal, risk, business and management backgrounds. When reviewing candidates for Board appointment, the NC will be considering candidates with experience and skills set in fintech and information technology in order to expand the diversity of the Board's skills set.

Of its twelve members, three are new members (including a female) who joined in 2019 as part of the Board's rejuvenation. The ages of the Directors who have served on the Board for different tenures, range from mid-40s to more than 70 years old. Having considered the scope of the Company's current operations, the Board is satisfied that its members collectively have the necessary core competencies. The Board will however continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as mentioned above. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in the AR.

NEDs' Participation (Provision 2.5)

NEDs are encouraged to participate actively at Board meetings in the development of the Company's strategic plans and direction, and in the review and monitoring of Management's performance against targets. To facilitate this, they are kept informed of the Company's businesses and performance through monthly and quarterly reports from Management and have unrestricted access to Management. They also sit on various Board Committees and management committees to provide constructive input and the necessary review and monitoring of performance of the Company and Management. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2019 without the presence of Management and the Board Chairman.

Principle 3: Chairman and Chief Executive Officer

Role of Chairman and the Chief Executive Officer (Provisions 3.1 and 3.2)

The Board Chairman, Mr Kwek Leng Beng, is also the Managing Director ("MD"). Mr Kwek Leng Beng plays an instrumental role in providing the Company with strong leadership and vision, assisting the Board to develop policies and strategies, and ensuring that these are implemented effectively. As Board Chairman with written terms of reference approved by the Board, he bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with input from Management, ensuring sufficient allocation of time for thorough discussion of each agenda item, promoting

an open environment for debate, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. As the Board Chairman, he also promotes and leads the Company in its commitment to achieve and maintain high standards of corporate governance. At AGMs and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

As MD, he is the most senior executive in the Company and bears executive responsibility for the Company's business. He is assisted by the President, Mr Ang Tang Chor and other members of the Senior Management team which comprises:

- Mr Leong Chee Wah, Senior Vice President (Risk Management and Credit Control)
- Ms Joan Yeo, Chief Financial Officer ("CFO")
- Mr Benjamin Ng, Senior Vice President (Operations/Technology & Special Duties)
- Mr Jeffrey Toh, Senior Vice President (Corporate & Consumer Business)
- Ms Peh Guat Hong, Senior Vice President (Corporate & Consumer Business)
- Mr David Thong, Senior Vice President (Operations)
- Mr Andrew Low, Senior Vice President (Human Resources)

The President joined the Company in 2003. He has a wealth of experience from the banking industry, in particular in the small and medium enterprises ("SME") lending sector, having worked in Tat Lee Bank Ltd/Keppel Tatlee Bank Ltd for over 27 years before its acquisition by Oversea-Chinese Banking Corporation ("OCBC"). His last held appointment with OCBC prior to joining the Company was that of General Manager, International Banking Division. The President is not related to the Board Chairman.

The Board had considered Mr Kwek Leng Beng's roles as the MD and Board Chairman and the strengths he brings to these roles by virtue of his stature and experience. Through the establishment of various Board Committees with power and authority to perform key functions without the undue influence from the Board Chairman, and the putting in place of internal controls for proper accountability and to allow for effective oversight by the Board of the Company's business, the Board ensures there is appropriate balance of power which allows the Board to exercise objective decision-making in the interests of the Company. The Board is of the view that Mr Kwek Leng Beng's role as the MD and the Board Chairman would continue to facilitate the Group's decision-making and implementation process.

Lead Independent Director

(Provision 3.3)

Taking cognizance that the Board Chairman is the MD and thus not independent, the Board has appointed Mr Po'ad Mattar as Lead ID to serve as a sounding board for the Board Chairman and as an intermediary between the NEDs and the Board Chairman. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. The Lead ID is available to shareholders where they have concerns through the normal channels of the Board Chairman/MD or the President or the CFO has failed to resolve or is inappropriate or inadequate. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2019. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2019 without the presence of Management or the Board Chairman, and the views expressed by the NEDs at the meeting were communicated to the Board Chairman and the President, as appropriate.

Principle 4: Board Membership

NC Composition and Role

(Provisions 4.1 and 4.2)

Two out of the three members of the NC, including the NC chairman, are independent. The Lead ID is one of the independent members of the NC.

The NC's responsibilities as set out in its written terms of reference approved by the Board, are to examine the Board size, review all Board and Board Committees composition and membership, board succession plans for the Directors (including the Board Chairman) and the key management personnel ("KMP") which comprises the MD, the President and the CFO, determine each Director's independence annually and as and when circumstances require, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and re-appointments of Directors (including alternate directors, if any) and the reasons for resignations of Directors and the reasons for the termination of the KMP and succession planning for the KMP, review and confirm the induction programmes for newly appointed Directors and for existing Directors in respect of their appointments to any of the Board Committees, and review training and continuous professional development programme for the Directors. Four NC meetings were held in 2019. The Company Secretary maintains records of all NC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("NC Self-

Assessment Checklist"). The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference and considered also the contribution of NC members to the deliberation and decision-making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Re-nomination of Directors and Determination of Independence

(Provisions 4.3 and 4.4)

The NC reviews annually the nomination of the relevant Directors for election/re-election as well as the independence of Directors. When considering the nomination of Directors for election/re-election, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple listed company board representations and/or other principal commitments, and also reviews their independence having regard to the provisions in the applicable Rule 210(5)(d) of the Listing Manual and the guidelines for independence set out in Provision 2.1 of the 2018 Code. The recommendation of the NC on the annual nomination of the Directors for election/re-election is submitted to the Board for decision and thereafter put to the shareholders for approval at the AGM.

The Constitution of the Company provides that not less than one-third of the Directors for the time being shall retire as Directors at each AGM. All new Directors appointed by the Board shall hold office until the next AGM and be eligible for election at the said AGM.

In accordance with the Constitution of the Company,

- (a) Mr Chng Beng Hua, Mr Ter Kim Cheu and Mr Kevin Hangchi will be retiring by rotation; and
- (b) Mr Peter Chay, Mr Tan Tee How and Ms Tan Siew San, appointed in June 2019, will also be retiring,

at the forthcoming AGM ("2020 AGM") and being eligible have offered themselves for election/re-election.

As mentioned on page 33 of this report, Mr Chng Beng Hua and Mr Ter Kim Cheu have served on the Board for more than nine years since their appointment to the Board and will be seeking re-election at the 2020 AGM. The Board concurred that both Mr Chng Beng Hua and Mr Ter Kim Cheu had maintained their independence throughout their service on the Board, having observed their objectivity in the review and evaluation of actions taken by or proposals from Management and their seeking of clarification, as and when necessary, to make informed decisions whilst remaining open to other viewpoints. The Company has also

CORPORATE GOVERNANCE REPORT

benefitted from their years of experience in their respective fields of expertise. The Board therefore recommends the re-election of Mr Chng Beng Hua and Mr Ter Kim Cheu as IDs of the Company. The Board also recommends the re-election of Mr Kevin Hangchi as a non-independent NED, as well as the election of Mr Peter Chay, Mr Tan Tee How and Ms Tan Siew San as IDs.

Criteria and Process for Nomination and Selection of New Directors (Provision 4.3)

The NC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees. Searches for and selection of candidates to be considered for appointment as Directors are facilitated through recommendations from the Directors and various other sources. Where necessary, the NC may consider the use of external search firms to find appropriate candidates. Shortlisted candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies.

In reviewing and recommending to the Board any new Director appointments, the NC considers:

- (a) the candidate's track record, experience and capabilities, or such other factors including age and gender as may be determined by the NC to be relevant and which would contribute to the Board's collective skills and diversity;
- (b) whether the candidate is fit and proper in accordance with the fit and proper guidelines issued by the Monetary Authority of Singapore ("MAS") which require the candidate to be competent, honest, to have integrity and be of sound financial standing;
- (c) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments;
- (d) the candidate's independence, in the case of the appointment of an ID; and
- (e) the composition requirements for the Board and Board Committees after matching the candidate's skills set to the requirement of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Board Committees).

As a finance company, all new appointments to the Board are subject to the approval of the MAS.

Key Information on Directors (Provision 4.5)

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, which includes their date of first appointment and latest re-election to the Board, principal commitments and directorships held in listed companies both currently and in the preceding five years, and other relevant information; 'Additional Information for Directors proposed for election/re-election at the 60th Annual General Meeting'; and the 'Notice of Annual General Meeting' for information on Directors proposed for election/re-election at the 2020 AGM.

Succession Planning for the Board, the Board Chairman and KMP (Provision 4.1)

The Board believes in carrying out succession planning for itself, the Board Chairman and the KMP to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board and Board Committees, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Company's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board. The NC also conducts annual review on the succession planning to ensure continuity of leadership for the KMP.

As part of the ongoing Board renewal process, Mr Peter Chay, Mr Tan Tee How and Ms Tan Siew San joined the Board as IDs in June 2019. The NC had considered their respective management and professional experience and was of the view that their appointments to the Board would provide further diversity to the core competencies of the Board and allow for fresh perspectives on the Company's strategies and business. Mr Peter Chay has extensive experience in auditing and advisory work across various industries, primarily in real estate, financial institutions and healthcare, and specific experience in corporate restructuring, insolvency and corporate finance related work, culled from his background as a partner of KPMG LLP from 1994 up to his retirement in 2017. Mr Tan Tee How had served 34 years in the Singapore Administrative Service, holding various key appointments, including Principal Private Secretary to the then-Prime Minister, Mr Goh Chok Tong and founding Chief Executive Officer ("CEO") of National Healthcare Group, Permanent Secretary of the Ministry of National Development and of the Ministry of Home Affairs, and as the Commissioner of Inland Revenue of Singapore ("IRAS") and concurrently the CEO of IRAS. Ms Tan Siew San has extensive experience in the areas of strategic issues and public affairs having

served in the Ministry of Defence, Ministry of Foreign Affairs and as Ambassador to the Kingdom of Thailand until her retirement in June 2019. Further information on the newly appointed Directors can be found on pages 22 and 23 of this AR.

Board Development (Provision 4.5)

The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. Further training for the Directors in specific areas are also being recommended by the NC, where required, based on the NC's review of the annual evaluation checklists from the Board and the Board Committees. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2019 are set out in the paragraph above under the subject heading 'Board Orientation and Training'.

The Board is kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

Principle 5: Board Performance

Board Evaluation Process (Provision 5.1)

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the Board composition, the Directors' independence, feedback from individual Directors on areas relating to the Board's strategy and performance, process, governance (including risk management and internal controls) and the effectiveness of the Board Chairman. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The NC also undertook an evaluation of the performance of the NC, RC, BRC, BSC and the AC with the assistance of self-assessment checklists completed by these Board Committees as well as reports provided by the chairmen of the Exco and SOSOC.

The annual evaluation process for the Board Chairman's and the individual Director's performance comprises two parts: (a) background information concerning the Director including his attendance records at Board and, where applicable, Board Committee meetings; and (b) NC's evaluation based on certain assessment parameters. The assessment parameters were recommended by the NC and approved by the Board.

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of each of the Directors are also used by the NC, in its consultation with the Board Chairman (who is also a member of the NC), to review, where appropriate, the composition of the Board and Board Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the election/re-election of retiring Directors. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

Board Evaluation Criteria (Provision 5.2)

The qualitative criteria used by the NC to evaluate the Board covers six areas relating to Board composition, Board independence, the Board's review of the Company's strategy and performance, the Board's oversight on the Company's governance including risk management and internal controls, and the effectiveness of the Board Chairman and Board processes.

The quantitative criteria used to evaluate the overall Board performance comprises the Company's monthly and year-to-date performance as compared to corresponding periods in the preceding year and the budget, quarterly performance indicators which include a comparison of the Company's performance for the financial period under review against the Company's performance and industry players for the corresponding period.

Individual Director Evaluation Criteria (Provision 5.2)

Factors taken into account in the assessment of a Director's performance include his abilities and competencies, his objectivity and the level of participation at Board and, where applicable, Board Committee meetings including his contribution to Board processes and the business strategies and performance of the Company. The performance evaluation of each Director is taken into account in the NC's consideration with regard to their re-appointment as Director.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

RC Composition and Role

(Provisions 6.1, 6.2, 6.3 and 6.4)

The RC comprises three NEDs, all of whom including the chairman of the RC are independent. The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the KMP.

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the KMP. The Company has currently identified the MD who is the only Executive Director of the Company, the President and the CFO as the Company's KMP for FY 2019. On an annual basis, the RC reviews and approves the specific remuneration packages for the Directors and the KMP including salary adjustments/increments, where applicable, variable bonuses and share options which are within specific mandates sought from the Board. The KMP's contracts of service which have been reviewed by the RC do not contain any unfair or unreasonable termination clauses.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. The RC has access to appropriate advice from the Company's Head of Human Resources ("HR Head"), who attends all RC and SOSC meetings. No remuneration consultants from outside the Company were appointed.

The Company Secretary maintains records of all RC and SOSC meetings including records of discussions on key deliberations and decisions taken. Two meetings of the RC were convened during 2019.

For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("RC Self-Assessment Checklist"). The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference and considered also the contribution of RC members to the deliberation and decision-making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Principle 7: Level and Mix of Remuneration

Remuneration of Directors and KMP

(Provisions 7.1, 7.2 and 7.3)

The Company's remuneration policy for Directors comprises the following distinct objectives:

- (a) to ensure that the procedure for determining remuneration for Directors is formal and transparent;
- (b) to ensure that the level of remuneration is sufficient (without being excessive) to attract and retain and motivate Directors to provide good stewardship and exercise oversight responsibility over the Company so as to ensure a sustainable performance and long-term value creation for the Company; and
- (c) to ensure that no Director is involved in deciding on his own remuneration.

In reviewing the remuneration package of the KMP, the RC, with the assistance of the HR Head, considers the level of remuneration based on the Company's remuneration policy for the KMP which is substantially aligned with that of the employees and which comprises the following three distinct objectives:

- (a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;
- (b) to ensure that the remuneration reflects employees' duties and responsibilities; and
- (c) to reward employees for achieving corporate and individual performance targets in a fair and equitable way.

The Company adopts a performance-based remuneration framework that is flexible and responsive to the market, and the performance of the Company and the KMP. In designing the remuneration framework for the KMP, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate finding a balance between the current and longer-term objectives of the Company.

Based on the remuneration framework, the compensation packages for the KMP comprise a fixed component (in the form of a base salary and where applicable, fixed allowances), a variable component (which would normally comprise short-term incentives in the form of variable bonuses and long-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, if any.

In determining the fixed and variable component for a KMP, the KMP's individual performance is taken into consideration together with any annual guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resources department. This is then reviewed along with the Company's performance, taking into consideration the Company's financial performance including specific performance indicators tracked over time as well as other factors (internal or external) which may have impacted the Company's performance during the year. Besides profitability, these specific indicators include those that track the growth and the quality of the Company's core business especially the size and quality of its loan assets, level and growth of deposits and percentage of non-performing loans. The monitoring and management of interest spreads, loan/deposits ratio, profitability, are also considered. The Company exercises its discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The overall level of remuneration is not considered to be at a level which is likely to promote behavior contrary to the Company's risk profile.

The Company currently has in place a long-term incentive scheme, which is the SOS.

As one of the objectives for the implementation of the SOS including the extension thereof is to make the total compensation of the participants more attractive and competitive in order for the Company to attract, retain and motivate good employees, the Company does not require the KMP to continue to hold their shares upon exercise of the options after the vesting period. Options granted under the SOS to KMP vest progressively over a period of three years. To-date, the Company has granted only Market Price (as defined in the SOS) options. Information on the SOS is set out in the Directors' Statement on pages 88 to 89 and the Financial Statements on pages 118 to 121 of the AR.

The SOS would be expiring in January 2021 and approval will be sought from the shareholders at the AGM in 2020 for a further extension of the SOS. The SOS was first approved by the shareholders at an extraordinary general meeting in 2001 for an initial period of ten years commencing on 31 January 2001. At the AGM in April 2010, the shareholders approved an extension of the duration of the

SOS for a further period of ten years from 31 January 2011 to 30 January 2021.

The Company does not discourage Directors from holding shares in the Company. There is however no requirement under the Company's Constitution for Directors to hold shares in order to be qualified to act as a Director. The RC was of the view that the grant of options under the SOS to NEDs should not be used as a scheme to encourage NEDs to hold shares in the Company. Although the NEDs are eligible to participate in the SOS, no options were granted to them since the implementation of the SOS in 2001. The RC has also considered and is satisfied that the payment of Directors' fees to the NEDs in cash is appropriate under the present circumstances.

The letter of offer of options to eligible participants (including the KMP) under the SOS includes a claw-back provision which gives the Company the right to recover or cancel the options (whether in whole or in part, before they are exercised) in the event of exceptional circumstances involving a misstatement of the financial results of the Company for the financial year on which the grant is based, or any misconduct by an employee of the Company, resulting in financial loss to the Company.

When reviewing the structure and level of Directors' fees, which comprise base director's fee and additional fees for services rendered under the various Board Committees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compared the Company's fee structure against industry practices. Other factors taken into consideration in the fee review includes the frequency of Board and Board Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year. The RC is mindful that the remuneration for IDs should not be excessive in order not to compromise or reasonably be perceived to compromise their independence. No Director is involved in deciding his own remuneration.

Each of the Directors receives a base Director's fee, with the MD receiving an additional fee for serving as the Board Chairman. The Lead ID also receives an additional fee to reflect his expanded responsibility. Directors who serve on the various Board Committees also receive additional

CORPORATE GOVERNANCE REPORT

fees in respect of each Board Committee that they serve on, with the chairmen of the Board Committees receiving a higher fee in respect of their service as chairman of the respective committees. The structure of fees payable to Directors of the Company for FY 2019 is as follows:

Appointment	Fees per annum (\$)
Director	75,000 (Basic fee)
Additional Fees:	
Board Chairman	20,000
Lead Independent Director	10,000
Executive Committee (Exco)	
- Exco Chairman	30,000
- Exco Member	20,000
Nominating Committee (NC)	
- NC Chairman	18,000
- NC Member	12,000
Remuneration Committee (RC)	
- RC Chairman	18,000
- RC Member	12,000
Hong Leong Finance Share Option Scheme 2001 Committee (SOSC)	
- SOSC Chairman	4,000
- SOSC Member	3,000
Audit Committee (AC)	
- AC Chairman	60,000
- AC Member	40,000
Board Risk Committee (BRC)	
- BRC Chairman	120,000
- BRC Member	40,000
Board Sustainability Committee (BSC)	
- BSC Chairman	6,000
- BSC Member	4,000

Principle 8: Disclosure of Remuneration

Disclosure of Remuneration (Provisions 8.1(a) and 8.3)

The compensation packages for the KMP comprised a fixed component (in the form of a base salary and fixed allowances), a variable component (in the form of variable bonuses and share options) and benefits-in-kind, taking into account amongst other factors, the individual's performance, the Company's performance and industry practices.

There were no termination, retirement or post-employment benefits granted to any Director or KMP in 2019.

The remuneration of each Director for FY 2019 rounded off to the nearest thousand dollars including a breakdown in percentage terms earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2019, is set out in the following page:

Name of Director	Total Remuneration (nearest thousand) \$	Base Salary ⁽¹⁾ %	Variable Bonuses/ Allowances ⁽¹⁾ %	Board/ Board Committee Fees ⁽²⁾ %	Share Option Grants ⁽³⁾ %	Other Benefits %	Total %
Executive Director							
1. Kwek Leng Beng (MD)	2,668	41	50	7	1	1	100
Non-executive Directors							
2. Kwek Leng Peck	138	-	-	100	-	-	100
3. Kwek Leng Kee	75	-	-	100	-	-	100
4. Chng Beng Hua	75	-	-	100	-	-	100
5. Cheng Shao Shiong @ Bertie Cheng	271	-	-	98	-	2	100
6. Po'ad bin Shaik Abu Bakar Mattar	167	-	-	100	-	-	100
7. Ter Kim Cheu	156	-	-	100	-	-	100
8. Raymond Lim Siang Keat	137	-	-	100	-	-	100
9. Kevin Hangchi	119	-	-	100	-	-	100
10. Peter Chay Fook Yuen	76	-	-	100	-	-	100
11. Tan Tee How	87	-	-	100	-	-	100
12. Tan Siew San	44	-	-	100	-	-	100

Notes:

(1) The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.

(2) These fees comprise Board and Board Committee fees for FY 2019, which are subject to approval by shareholders as a lump sum at the 2020 AGM.

(3) These relate to options granted during FY 2019. The fair value of the options as at the date of grant is \$0.0843 for each share under option taking into account the vesting schedule using the Black-Scholes Option Pricing Formula.

Remuneration of Key Management Personnel (not being a Director or Chief Executive Officer)

(Provisions 8.1(b) and 8.3)

For FY 2019, the Company identified the President and the CFO as its KMP (not being a Director or Chief Executive Officer).

The Board does not believe it is in the interest of the Company to disclose the FY 2019 remuneration of its KMP (not being a Director or Chief Executive Officer) whether in bands of \$250,000 or to the nearest thousand dollars having regard to the highly competitive human resource environment.

Remuneration of Director's Immediate Family Member for FY 2019

(Provision 8.2)

There are no employees of the Company who are substantial shareholders of the Company or immediate family members of a Director, and whose remuneration exceeds \$100,000 during the year.

CORPORATE GOVERNANCE REPORT

Principle 9: Risk Management and Internal Controls

Oversight of Risk Management

(Provision 9.1)

The Board has overall responsibility for the governance of risk, including determining the nature and extent of the significant risks which the Company is willing to take to achieve its corporate objectives. The Board oversees the Company's risk management framework and policies; and ensures that Management maintains a sound system of risk management and internal controls.

To assist the Board in fulfilling its duties, the BRC, a dedicated risk committee at board level oversees and reports to the Board on matters relating to the risk management function of the Company. The BRC reviews the adequacy and effectiveness of the Company's risk management and internal control systems regularly against best practices as set out in the industry and regulatory guidance. It also approves the risk management framework, related risk management policies and systems and oversees Management in the establishment and operation of the risk management systems that are in place. The BRC comprises seven Directors, six of whom are NEDs. The members of the BRC possess the relevant business experience and are therefore suitably qualified to discharge their responsibilities. The Company Secretary maintains records of all BRC meetings including records of discussions on key deliberations and decisions taken.

During the year, the BRC did a self-assessment of its performance based on the self-assessment checklist ("BRC Self-Assessment Checklist"). The BRC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the BRC under its terms of reference. Based on the self-assessment, the BRC was of the view that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Management is accountable to the Board through the BRC for ensuring the effectiveness of the risk management framework.

The Company's approach to risk management is set out in the 'Risk Management Report' on pages 50 to 53 of this AR.

Assurances from the KMP

(Provision 9.2)

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Company and effectiveness of the Company's system of internal controls including financial, operational, compliance and information technology ("IT") controls, and risk management policies and systems.

The internal controls structure of the Company has been designed and put in place by Management to provide reasonable assurance against material financial

misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable legislation. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities.

The Board has received written assurance from the KMP that:

- (a) the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems in place are adequate and effective to address in all material aspects the financial, operational, compliance and IT risks in the context of the current scope of the Company's business operations.

The AC reviewed the adequacy of the Company's internal controls that address the Company's financial, operational, compliance and IT controls, and risk management systems, with the assistance of the BRC, Management, the Risk Management and Credit Control departments, Compliance department and the internal and external auditors.

Based on the work performed by Internal Audit ("IA"), and the statutory audit by KPMG LLP ("KPMG"), as well as the assurances from the KMP, the Board with the concurrence of the AC, is of the opinion that the system of risk management and internal controls in place as at 31 December 2019 to address in all material aspects the financial, operational, compliance and IT risks, is adequate and effective in the context of the current scope of the Company's business operations.

Principle 10: Audit Committee

Composition of AC

(Provisions 10.2 and 10.3)

The AC comprises three NEDs, all of whom including the chairman of the AC are independent. Two members including the AC chairman possess the relevant accounting or related financial management expertise and experience.

With the current composition, the AC believes that it has the relevant accounting or related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

Based on the terms of reference of the AC, a former partner or director of the Company's existing auditing firm or auditing corporation should not act as a member of the AC: (a) within a period of two years commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation. None of the members of the AC were former partners or directors of or have any financial interest in the Company's existing audit firm.

Powers and Duties of the AC (Provisions 10.1 and 10.5)

The AC is authorised by the Board to review or investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the external auditors ("EA"), the internal auditors, Management and any officer and employee of the Company. It may invite any Director, Management, any officer or employee of the Company, the EA and internal auditors to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate, at the Company's expense.

The AC is tasked to discharge its duties objectively within its written terms of reference, which duties include:

- to review significant financial reporting issues and judgements so as to ensure the integrity of the Company's financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;
- to review the assurance by the KMP that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's and Group's operations and financial position;
- to review the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance and IT controls and report to the Board;
- to review the adequacy, effectiveness, independence, scope and results of the IA function;
- to review annually the adequacy, effectiveness, independence, scope and results of the EA's audit, and make recommendations to the Board on the proposal to the Company's shareholders on the appointment, re-appointment and removal of the EA, and to approve the remuneration and terms of engagement of the EA;

- to review interested person ("IP") transactions and related party lending transactions to ensure that they are entered on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders;
- to oversee the establishment and operation of the whistle-blowing process in the Company; and
- to ensure that the Company has fraud policies and programmes in place to identify and prevent fraud.

During the year, the AC had discussed with Management matters that required Management's estimation and judgement in the preparation of the financial statements for FY 2019. The AC was satisfied that the only significant matter identified impacting the financial statements was as follows:

Loan, advances and receivables represent a significant component of total assets with potential material impact to the Group's financial statements. The determination of the adequacy of the impairment allowance for loan, advances and receivables involves Management's assessment and judgement as disclosed in the Notes to the Financial Statements.

The Group developed Expected Credit Loss ("ECL") model to compute the impairment loss allowance for non-credit impaired financial assets taking into consideration factors such as risk parameters, forward-looking estimates and management overlay based on a combination of statistical analysis, assumptions and judgements. The difference between the Stage 1 and 2 ECL and the Minimum Regulatory Loss Allowance as required under Revised MAS Notice 811 is reported as Regulatory Loss Allowance Reserve.

Loss allowance for credit impaired financial assets is assessed based on individual exposures against the estimated collateral values.

The AC has reviewed with Management the steps that Management has taken for the assessment of impairment of loans, advances and receivables and the aggregate allowances recorded. The AC is satisfied that the necessary steps have been taken and properly addressed and the allowances for impairment losses have accordingly been adequately provided for.

The impairment allowances on loans, advances and receivables were also an area of focus for the EA which was discussed with the AC. The EA have identified this item as the only key audit matter in their audit report. Please refer to the Independent Auditors' report in the AR.

The AC held five meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all AC meetings

CORPORATE GOVERNANCE REPORT

including records of discussions on key deliberations and decisions taken. The AC meets with the internal auditors and EA, each separately without the presence of Management, annually.

The AC members continually keep themselves abreast of changes to accounting standards and issues which have a direct impact on financial statements.

For the financial year under review, the AC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("AC Self-Assessment Checklist").

The AC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the AC under its terms of reference, and also considered the contribution of AC members to the AC's deliberation and decision-making process.

Based on the self-assessment, the AC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

External Auditors

(Provisions 10.1(d) and 10.1(e))

Taking cognizance that the EA should be free from any business or other relationships with the Company that could materially interfere with their ability to act with integrity and objectivity, the AC undertook a review of the independence of KPMG and gave careful consideration to the Company's relationships with them during 2019. The AC considered the Company's policies, processes and safeguards to protect and preserve audit independence. The AC also considered and approved the nature of the provision of the non-audit services in 2019 and the corresponding fees and ensured that such non-audit fees did not impair or threaten the audit independence. KPMG's confirmation of their audit independence was further noted. Based on the review, the AC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Company's statutory financial audit. For details of the fees paid and/or payable to KPMG in respect of audit and non-audit services for FY 2019, please refer to note 21 of the Notes to the Financial Statements on page 130.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2020, the AC considered the adequacy of the resources, experience and competence of KPMG including its Audit Quality Indicators information. Consideration was also given to the engagement partner and key team members' overall business acumen, knowledge and experience in the financial services industry. The size and complexity of the audit of the Company and the level of audit fee were further taken into account. The AC also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines. The AC also appreciated the candour of the EA in discussions on audit issues with the AC, both in a private session and during meetings.

KPMG has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 of the Listing Manual in relation to the appointment of the auditors of the Company and its subsidiaries.

On the basis of the above, the AC has recommended to the Board the nomination of KPMG for re-appointment as EA at the 2020 AGM.

Related Party and Interested Person Transactions

Taking a risk-based approach, the Company has established policies and procedures on related party ("RP") and IP transactions to ensure that such transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Company's usual business practices and policies, not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the RPs and/or IPs (as defined in Chapter 9 of the Listing Manual), than those extended to other unrelated third parties under similar circumstances. IA reviews all IP transactions and the RP lending transactions annually and as part of its review, updates the AC on such transactions reviewed and updates the Board on comments/findings if any relating to any loan related/connected to any AC member.

A list of RPs and IPs is maintained by the Company for monitoring purposes.

Particulars of IP transactions required to be disclosed under Rule 907 of the Listing Manual are as follows:

Name of IP	Nature of Relationship	Aggregate value of all IP transactions in FY 2019 (excluding transactions less than \$100,000 and transactions conducted under any shareholders' mandate pursuant to Rule 920) (\$'000)	Aggregate value of all IP transactions conducted in FY 2019 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (\$'000)
Hong Leong Investment Holdings Pte. Ltd. ("HLIH") group of companies	Subsidiaries of HLIH which is the immediate and ultimate holding company of the Company		
- Lease of office/branch premises		12,744*	Not applicable**
- Receipt of corporate secretarial services		428	Not applicable**

* This relates to the value of lease of premises by the Company for its operations from Interested Persons for lease tenures of five years and nine years in duration.

** The Company has not sought any shareholders' mandate for IP transactions pursuant to Rule 920 of the Listing Manual.

The above IP transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

Whistleblowing Policy (Provision 10.1(f))

HLF has in place a whistleblowing policy where staff of the Company or other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other matters without fear of reprisals in any form. The AC has the responsibility of overseeing this policy which is administered by the Head of Compliance department. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken.

In order to facilitate and encourage the reporting of such matters, an abridged version of the whistleblowing policy, together with the dedicated whistleblowing communication channels (email and postal address as well as telephone contact numbers) are available on the Company's website and is easily accessible by all employees and other persons.

The whistleblowing policy is reviewed by the AC annually to ensure that it remains current. For more details on the said policy including the procedures for raising concerns, please refer to the Company's website at www.hlf.com.sg.

Fraud Policy

HLF also has in place a fraud policy which provides guidance and assistance to the officers and employees of the Company on matters relating to the prevention, detection, reporting and investigation of fraudulent conduct. The AC reviews annually this policy which is administered by the Head of Compliance department.

Anti-Corruption Policy

HLF has established an anti-corruption policy to provide guidance and assistance to officers and employees of the Company on matters relating to the prevention, detection, reporting and investigation of corruption and bribery. The policy which is administered by the Head of Compliance department, will be reviewed by the BSC from time to time to ensure it remains current.

CORPORATE GOVERNANCE REPORT

Internal Audit

(Provisions 10.4 and 10.5)

The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the AC with an administrative line of reporting to the President of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the AC. The AC also evaluates the annual performance appraisal of the Head of IA and approved all bonus payments and salary adjustments for this position within the compensation policies established by the Company. The AC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the AC, the Board and Management, and also has unrestricted access to all records, files, documents, personnel and physical properties relevant to the performance of audits and retention of copies of the documents obtained, where required.

IA operates within the framework stated in its IA Charter which is approved by the AC and reviewed on an annual basis. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The Head of IA, Ms Chung Yuet Simm is a member of the Institute of Singapore Chartered Accountants with many years of experience in external and internal auditing, risk management and accounting in local and foreign banks. She has been with the Company since November 2006. All her team members have the relevant qualifications and experience and almost all of them are members of The Institute of Internal Auditors of Singapore and/or members of relevant professional bodies. Processes are in place to ensure that the professional competence of the IA staff is maintained or upgraded through training programmes, and the AC reviews on an annual basis the continuing professional education programme for the IA team which comprises technical and non-technical training for professional and personal development of the IA staff.

Role and Activities of IA

The primary role of the IA is to assist the Board and the AC to evaluate and improve the adequacy and effectiveness of the internal controls and risk management processes of the Company, by ensuring that the scope of the IA's work is reasonably comprehensive to enable effective and regular review of the key operational, financial and related activities of the Company.

The AC approved the 2019 IA plan in November 2018 and received regular reports during 2019 on the progress

of the audit work under the IA plan. IA observations on operational and human lapses and recommendations to address them were also reviewed and discussed at the AC meetings. The AC was satisfied that recommendations made were dealt with by Management in a timely manner with any outstanding recommendations being closely monitored and reported back to the AC.

The AC reviewed the effectiveness and adequacy of the IA function including its resources through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function. The assessment was facilitated through the use of an evaluation framework which covers IA organisation, resources and continuing training, audit plans, work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment conducted for 2019, the AC is satisfied with the quality and effectiveness of the IA function and that the IA function is currently adequately resourced and has appropriate independent standing within the Company to perform its functions effectively.

In addition, an external quality assurance review is conducted every five years. The last review was conducted in 2015 and the process for the next review would be in 2020.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

General Meetings

(Provisions 11.1, 11.2 and 11.3)

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the Constitution of the Company, shareholders who are not relevant intermediaries may appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries

may appoint more than two proxies to attend, speak and vote at general meetings. Proxy forms must be deposited at such place or places specified in the notice or document accompanying the notice convening the general meetings at least seventy-two (72) hours before the time set for the general meetings.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the election/re-election of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the AR.

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the Directors and the Management questions regarding matters concerning the Company. All the Directors and the EA were present at the 2019 AGM.

Voting at General Meetings (Provision 11.4)

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means. Pursuant to Rule 730A(2) of the Listing Manual, all resolutions to be proposed at the 2020 AGM and at any adjournment thereof shall be put to the vote by way of poll.

In support of greater transparency and to allow for a more efficient voting system, the Company has been conducting electronic poll voting since its 2012 AGM and would continue to do so at the 2020 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the 2020 AGM will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced via SGXNET after the 2020 AGM. The detailed voting procedures for the electronic poll voting would be explained at the AGM. An external firm which is independent of the firm appointed to undertake the electronic poll voting process, is appointed as scrutineers for the AGM voting process.

Minutes of General Meetings (Provision 11.5)

The Company also maintains minutes of its general meetings, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the EA. The minutes of the general meetings are available on the Company's website, and the Company will also furnish the minutes of the general meetings to any shareholder upon request.

Dividend Policy (Provision 11.6)

The Company has formalized its dividend policy which aims to pay dividends twice a year, at rates which balance returns to shareholders with prudent capital and financial management. Before proposing any dividends, the Board will consider a range of factors, including the Group's financial performance, sufficiency of retained earnings and cash for operations as well as for capital requirements, capital expenditure, investment plans, general business conditions and market factors. The Board will review the dividend policy from time to time and reserves the right to modify, amend and update the policy.

The Company strives to maintain a strong capital position to ensure market confidence, and to meet the expectations of depositors, customers and investors, while ensuring compliance with regulatory minimum capital adequacy ratio at all times, and to transfer a requisite proportion of its annual net profit to the statutory reserve which is not available for distribution to shareholders.

Principle 12: Engagement with Shareholders

The Company notifies its investors in advance of the date of release of its financial results via SGXNET. For FY 2019, results for the first, second and third quarter were released via SGXNet within 45 days of the end of each quarter whilst annual results were released within 60 days from the financial year end. In presenting the Group's financial results the Board aims to provide investors with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. Should there be an inadvertent disclosure made to a select group, the Company will release the same information promptly via SGXNET. The financial statements and other presentation materials presented at the Company's general meetings including material and price-sensitive information are disseminated and publicly released via SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released via SGXNET.

Shareholder Communication (Provision 12.1)

Shareholders and investors can contact the Company or access information on the Company at its website at www.hlf.com.sg which has a dedicated "Investor Relations" ("IR") link that provides, *inter alia*, information on the Board

CORPORATE GOVERNANCE REPORT

of Directors, Annual Reports, financial results as released by the Company on SGXNET, financial highlights and matters relating to the Company's AGM, and minutes of general meetings.

Investor Relations Policy (Provisions 12.2 and 12.3)

The Company aims to build investor confidence and trust through effective open, two-way communication with shareholders and the investment community. The Company's IR Policy which is available on the Company's corporate website (www.hlf.com.sg), sets out the process and mechanism to engage its stakeholders, including the channel of communication through which shareholders and investors may pose queries and through which the Company may respond. The IR Policy outlines the principles and framework in which the Company communicates and engages with investors and other IR stakeholders to provide balanced, clear and pertinent information.

MANAGING STAKEHOLDER RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Company has identified its stakeholders and has arrangements in place to engage with them through a variety of channels (including via the Company's corporate website) in order to determine the environmental, social and governance issues that are important to them. These issues form the materiality matrix upon which targets, metrics, initiatives and progress are reviewed by the Management team and reported to the BSC and the Board for approval, before they are published annually in the Company's sustainability report. Further information on the Company's approach to stakeholder engagement and its materiality assessment can be found on pages 54 to 73 of this AR.

Corporate Values and Conduct of Business

The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. In addition to observing the Code of Conduct issued by the Finance Houses Association of Singapore, as well as the Code of Conduct for Banks and Bank Staff issued by the Association of Banks in Singapore to the extent applicable to the operations of the Company, the Company has in place an internal code of conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with customers, suppliers, regulators and amongst employees, including situations where there are potential conflicts of interests.

In line with the Board's commitment to maintain high ethical standards which are integral to the Company's corporate identity and business, the Company also has the following corporate policies and procedures in place:

- (i) Policy on Anti-Money Laundering/Countering the Financing of Terrorism which provides guidance to the Company's officers and employees on the conduct of the Company's business with a view to conformity with high ethical standards, and guarding against establishing any business relations or undertaking any transaction, that is or may be connected with or may facilitate money laundering or terrorism financing;
- (ii) Fraud Policy which provides guidance and assistance to the Company's officers and employees on matters relating to the prevention, detection, reporting and investigation of fraudulent conducts;

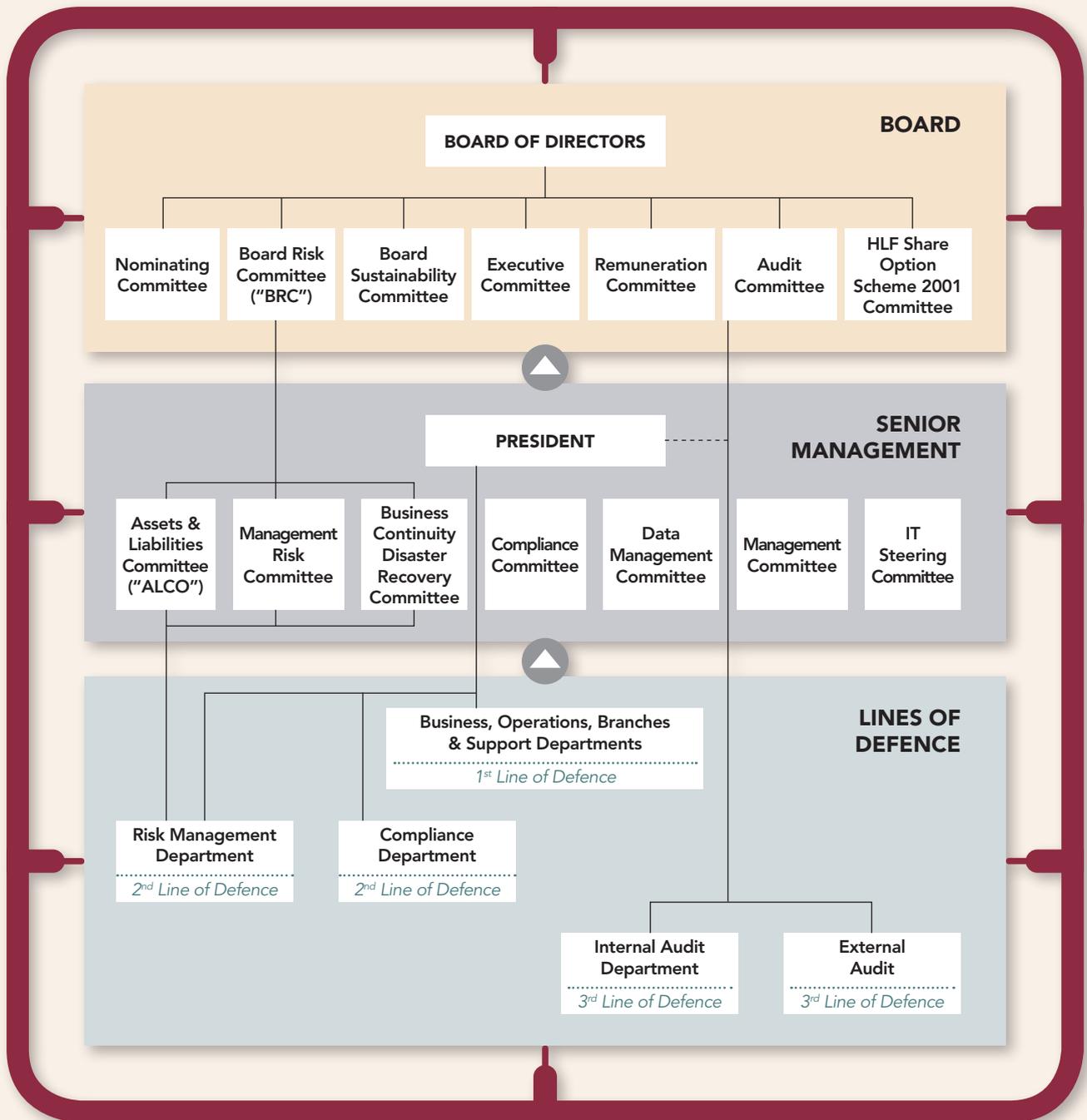
- (iii) Whistleblowing Policy, which provides guidance to the Company's officers, employees and non-employees of the Company that may have any legitimate concerns about any possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other matters, the same may be raised without fear of reprisals in any forms, discriminating or adverse consequences;
- (iv) Anti-Corruption Policy which provides guidance and assistance to the Company's officers and employees on matters relating to the prevention, detection, reporting and investigation of corruption and bribery;
- (v) Procurement Policy which is adopted to ensure that the procurement process in the Company is fair, consistent and transparent. The policy provides guidance to the Company's officers and employees to conduct the Company's procurement activities in a manner above reproach, with complete impartiality and with no preferential treatment;
- (vi) Personal Data Protection Policy and related data management policies which provides guidance to employees on matters related to the Personal Data Protection Act 2012;
- (vii) Competition Law Policy which states the Company's policy to compete fairly and ethically in the conduct of business and provides direction and guidance to employees in their relationships and communication with competitors and customers;
- (viii) Policy on transactions with RP/IP which provides guidance to the Company's officers and employees to conduct RP/IP transactions on an arm's length basis and on normal commercial terms consistent with its usual business practices and policies, not prejudicial to the interest of the Company and its minority shareholders and on terms which are not more favourable to the RP/IP than those extended to other unrelated third parties under similar circumstances;
- (ix) Complaint Handling Procedures which ensure that all complaints from customers are dealt with professionally, fairly, promptly and diligently and decisions are clearly communicated to customers; and
- (x) Compliance Policy which states the principles to be followed by Management and staff in managing regulatory risk.

Internal Code on Dealing in Securities

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations; (b) while in possession of unpublished material price-sensitive information in relation to such securities; and (c) during the 'closed period' as defined in the Listing Manual in relation to the release of the Company's financial results announcement. The Directors and employees of the Company are notified prior to the commencement of the 'closed periods' relating to dealing in the Company's securities.

Date: 27 February 2020

RISK MANAGEMENT REPORT



The Company believes that a strong risk management process will support effective capital allocation and management and, through this, increase shareholders' value. It is also with this process that risk and return are evaluated with a goal of producing sustainable revenue and reducing earnings volatility. The maintenance of a strong control framework is a high priority and is the foundation for the delivery of effective risk management. The Company is committed to ensuring that its risk management practices reflect a high standard of governance. This then enables

Management to effectively undertake prudent risk-taking activities.

For most risks, the Company has developed an overarching framework document that sets out the key principles for managing the associated risks and the Company's key risk policies and limits. This framework is supported by standards, guidelines, processes, procedures and controls that govern day-to-day activities in the Company's businesses. Oversight is provided by management

committees such as the Assets and Liabilities Committee, Management Risk Committee, and the Business Continuity Disaster Recovery Committee.

The Company has adopted three lines of defence in the Organisation structure to ensure that there is ownership of risks, accountability, and independence in the management of risks.

Lines of Defence

As the first line of defence against risk, the Business, Operations, and Support Departments in the Company are primarily responsible for identifying, mitigating, and managing risk through the implementation of effective controls within their lines of business. These controls are performed, owned and overseen at the programme and transaction levels by the staff who are involved in Relationship Management, Operations, and Support. They ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits for optimal performance.

Risk Management and Compliance Departments form the second line of defence through the establishment of guidelines, policies, and processes for managing specific risk management areas that include Credit, Operations, Market & Liquidity, and Regulatory Risks. They also assist in reviewing and monitoring risks and controls at the first line of defence level within the organisation.

The third line of defence, Internal and External Audit functions provide independent assurance of the effectiveness of the first and second line of defence.

Risk Management Department

A risk management team supports the BRC in maintaining an effective control environment that reflects established risk appetite and business objectives. The risk management team is independent of the business units, and performs the role of implementing risk management policies and procedures.

The main functions of the Risk Management department are to (a) support the BRC in carrying out its oversight of the Company's risk management programme, (b) support Management in achieving the Company's strategic priorities by maintaining and enhancing the risk framework and (c) promote a strong risk culture which emphasizes each team member's accountability for appropriate risk management. The approach to risk is based on an effective control framework and a strong risk management culture which guides how the Company's employees approach their work, the way they behave and the decisions they make. The amount and type of risk that the Company is prepared to seek, accept or tolerate, otherwise known as risk appetite, works in tandem with the strategy and is approved by the Board's BRC. The Company's risk appetite

is then embedded within policies, authorities and limits across the Company. The Company ensures that it has the functional capability to manage risks in new and existing businesses, and that business plans are consistent with risk appetite. There is in place an independent and centralised risk management function which serves to broaden the Company's existing risk management framework to include additional capabilities and approaches in line with modern risk management practice. This integrated risk management framework identifies, assesses, manages and reports risks on a consistent and reliable basis.

The Company manages a variety of risks that can affect its financial performance, and its ability to meet the expectations of its customers, shareholders, regulators, and other stakeholders. The principal risks of the Company comprise strategic, credit, market and operational risks. Significant business risks are identified and a risk management action plan focusing on four main aspects, namely, Board oversight, senior management accountability, sound and well-documented risk policies and strong risk management, monitoring and control capabilities, implemented. The risk management policies are designed to identify and analyse the various risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable information systems. Risk profiles, exposures and trends are regularly reported to Management and the BRC for review and appropriate action. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Company recognises that the risk management process is an on-going process and will thus continuously ensure that the Company's current risk management system and processes are in line with regulatory guidelines and industry best practices. In the following paragraphs, a description is given of the way the various risk types are measured and managed in the Company.

Strategic Risk

Strategic risk is the risk that adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, execution and/or other intrinsic risks of business will impact the Company's ability to meet its objectives. Business strategy is a key driver of the Company's risk profile and as such the strategic choices that are made in terms of the business mix determine how the risk profile changes. The Company is mindful of the changes in its operating environment from time to time and is constantly monitoring and reviewing the economic and strategic risks of the Company in order to be able to enhance the management of the same. An integrated business planning and budget process is used to help manage strategic risk. A key component of this process is the alignment of strategies, goals, tactics and resources

RISK MANAGEMENT REPORT

by the various business units and support departments. A planning process flows through the business units, identifying business unit plans that are aligned with the Company's direction.

Credit Risk

Credit Risk

Credit risk is the potential loss arising from the failure of borrowers and/or counterparties to meet their contractual obligations. The Company is exposed to Credit Risk from our lending activities to retail, corporate and institutional borrowers.

Policies & Processes

The Credit Risk Management ("CRM") policy details how credit risks are being managed in the company. The CRM policy ensures a sound process to identify, measure, monitor and to manage credit risk exposure to an acceptable level, consistent with the Company's risk tolerance and aligned with the relevant business strategy. This policy sets forth credit risk principles and provides guidance to relevant business units. It is supplemented by the Credit Manual which details the process and management relating to credit transactions.

In support of promoting Responsible Financing lending practices, checks are performed for companies operating in sectors with elevated Environmental, Social and Governance ("ESG") risk profiles or those noted to have ESG issues from the last ESG assessment. Relationship Managers were trained internally on the Company's ESG framework and policies.

Credit Portfolio Management and Concentration Risk

The Company's guiding principle in its lending activity is to diversify its loan portfolio mix and avoid any undue concentration of Credit Risk in its loan portfolio. Portfolio monitoring and reporting enable timely assessment to capture changes in risk profiles and business conditions, as well as develop appropriate risk-response strategies. The Company proactively monitors and manages credit transactions and portfolios against established risk limits.

The Company addresses credit risk concentration by setting a credit portfolio mix limit after taking into account business, economic, financial and regulatory environments; and monitoring the limit on a regular basis. Management periodically reviews the loans portfolio and concentration risk reports to monitor for undue credit concentrations.

Credit Stress Test

Regular Credit Stress Tests are conducted to identify the impact on asset quality, earnings performance and capital adequacy to a range of adverse scenarios. Our stress test scenarios include potential but plausible macroeconomic conditions and geopolitical events in varying degrees of severity. This helps the Company to assess our capital

adequacy, identify potentially risky portfolio segments, and plan preventive actions where applicable.

Credit Risk Mitigation

In line with the prevailing business plan, the company will continue to have most of its credit risk exposures in secured lending. As a fundamental credit principle, HLF does not grant credit facilities solely on the basis of collateral provided. Credit facilities are granted primarily based on the borrower's credit quality, debt servicing ability and source of repayment. Where possible, the Company takes collateral as a secondary recourse to the borrower to mitigate credit risk. These secured loans are collateralized with assets such as cash, properties, motor vehicles, shares, trade receivables, plant and equipment. The value of collateral is monitored periodically.

SFRS (I) 9 Expected Credit Loss

Effective 1 January 2018, we adopted Singapore Financial Reporting Standards (International) 9 Financial Instruments, where a new approach for the estimation of allowance for credit losses based on the Expected Credit Loss ("ECL") model is introduced. It includes more forward-looking information, and addresses the issue of delayed recognition of credit losses on loans and other financial instruments. The ECL reflects information about past events, current conditions and forecasts of future economic conditions. Management overlay will be applied in the event where additional considerations are assessed to have been inadequately addressed in model estimates.

Market Risk

Market risk is the risk to earnings and capital arising from changes in the interest rates environment. Mismatches in the repricing periods of assets and liabilities expose the Company to market risk, of which interest rate risk is a large component.

The Company's market risk management is governed by a set of framework, policies and processes which are subjected to regular reviews to ensure that they remain relevant to the current market practices and regulatory guidelines. The objective of interest rate risk management is to secure stable and optimal net interest income over the short and long term within approved risk limits. Exposures are measured using a combination of techniques such as net interest income simulation, which involves the simulation of the impact of various interest rate scenarios on the net interest income. Other static measures include the repricing gap analysis and PV01.

Liquidity Risk

Liquidity risk is the risk that arises from the Company's inability to meet its obligations to honour withdrawal of deposits and fund increases in assets as they fall due.

The Company's liquidity risk management is governed by a set of framework, policies and processes, as approved by the ALCO. These are subjected to regular reviews to ensure that they remain relevant to the current market practices and regulatory guidelines.

In the management of liquidity risk, the Company ensures that there are sufficient funds at all times over a range of market conditions to meet both contractual and regulatory obligations at a reasonable cost. These include minimising excessive funding concentrations by diversifying the sources of funds and maintaining a portfolio of high quality liquid assets in excess of regulatory requirements. The Company's funding and liquidity position is underpinned by its significant customer deposits base, and is supported by strong relationships with corporate customers to supplement its retail deposits base.

Liquidity exposures are monitored using a combination of liquidity gaps and liquidity risk ratios such as the loans to deposits, top depositors and MLA ratios. Early warning indicators and triggers are also in place to identify potential liquidity crisis that may arise. Liquidity stress testing on adverse crisis scenarios such as name-specific and general market crises is also performed regularly. In the event of a potential liquidity crisis, there are various contingency funding strategies and action plans in place, which can be activated to minimise the impact of a liquidity crunch.

The Company enhances its risk monitoring process through the implementation of the Funds Transfer Pricing ("FTP") framework. The FTP framework is an internal pricing mechanism which monitors the performance of products and business units by incorporating the cost of funds dimension to the balance sheet. More details on liquidity and interest rate risks could be found in the Financial Statements on pages 138 to 144 of the AR.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events that are neither market nor credit related. Operational risk is inherent in the Company's business activities as well as the internal processes that support those business activities, and can lead to reputational damage, financial loss or have regulatory consequences. It includes fraud, errors from execution, delivery and transaction processing, natural disasters, systems failure, and lapses by outsourced service providers.

The Company has an operational risk framework in place that assists all departments to achieve their objectives through the effective identification, assessment, measurement, control and mitigation of their risks. As part of the framework, business units are required to report their operational risks on both a regular and an event driven basis. Risks are identified through an operational risk self-

assessment framework and business units incorporate early warning indicators to identify underlying changes in the risk profile. Risk Management Department maps identified risks into risk categories, monitors key risk indicators and coordinates loss events reporting, including determining the root cause analysis and future steps to be taken to prevent a reoccurrence. Action plans are formulated based on the severity of the assessed residual risks after considering mitigating controls.

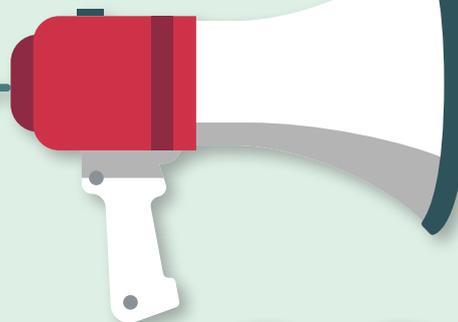
Through the Operational Risk Management Framework, the risk of potential financial loss or damage to the Company's reputation, its customers or staff is mitigated and the necessary regulatory and legal requirements are complied with.

The Company strives to mitigate risks of business disruptions in the event of unforeseen disasters through the planning and building of business resilience in the Company. The Business Continuity Program is closely aligned with the principles in the Business Continuity Institute's Good Practice Guidelines and ISO standards. The robust Business Continuity Program sets out to minimize the impact of business disruptions arising from severe loss scenarios and to ensure swift recovery in the performance of critical business functions both onsite and at disaster recovery sites. The crisis management structure includes incident management, escalation, and activation of the crisis management and recovery teams. Exercises and tests form an integral part of the program and are conducted regularly. On an annual basis, the IT systems undergo redundancy, network connectivity, and uninterrupted power supply/generator set tests to ensure high availability to systems and avoid single points of failure. Simulation exercises, table top exercises and tests are also conducted annually and biennially to validate the Business Continuity plans, and to enhance the staff's response and preparedness for disruptions and crises. Cybersecurity has been a major concern, and in this respect, the Company has acquired new tools and enforced additional security procedures to safeguard the Company's IT infrastructure. On an annual basis, Management provides an attestation to the BRC on the state of Business Continuity Management and the extent of alignment of Business Continuity Practices to regulatory guidelines and disclosure of residual risk.

The Company's reputation and financial soundness are of fundamental importance to the Company and to its customers, shareholders and employees. Reputation risk can arise from a number of events and primarily occurs in relation to credit risk, regulatory, legal, operational risks and failure to maintain strong risk conduct. Managing reputation risk is an essential role of Management as it has the potential to impact earnings, ability to maintain existing or establish new business relationships and access to sources of funding. The Company seeks to manage and minimize reputation risk through its corporate governance structure and operational risk management framework.

SUSTAINABILITY REPORT

54	About this Report
55	Board Statement
56	Sustainability at Hong Leong Finance
60	Driving Value Creation
63	Talent Management
67	Responsible Finance
68	Corporate Governance
70	Data Security and Customer Privacy
71	Environmental Management
73	Community



ABOUT THIS REPORT

Hong Leong Finance (“HLF”) is pleased to present our Sustainability Report for 2019 (“SR”), which communicates to our stakeholders on our approach towards the management of the material Environmental, Social and Governance (“ESG”) factors affecting our business. This SR, published annually, outlines our practices, initiatives and performance for 2019 and provides an update on our progress since 2018.

Reporting Framework

This SR has been prepared with reference to the Global Reporting Initiatives (“GRI”) Standards as well as the Singapore Exchange Listing Rule guide for sustainability reporting.

Reporting Scope

The scope of this report covers HLF’s operations in our offices (located at three buildings), 28 branches, as well as additional rented premises for purposes such as data centre

and warehousing. There were no significant changes to our operations and supply chain during the year.

Data and External Assurance

HLF applies a standardised approach to data collection and analysis across our business. We have not sought independent external assurance of the information contained in this report but will consider doing so in the future.

We welcome feedback from our stakeholders on this SR. Please contact us at Sustainability@hlf.com.sg with any comments or questions you may have.

The SR, which is a part of our Annual Report 2019, along with a GRI Content Index with a full list of disclosures referenced in this SR, can be found on our website at <https://www.hlf.com.sg/ar.html>.

SUSTAINABILITY REPORT

BOARD STATEMENT



Over the last 58 years, HLF has continued to demonstrate robust business growth while serving our customers through our comprehensive range of products and services. In order to ensure the continued success of our business, we maintain a long-term outlook on the ESG factors relevant for us to achieve sustained profitability. This means that we drive sustainable value by investing in our business franchise and building our talent pool. At the same time, we protect and safeguard our business by ensuring responsible practices in areas such as finance, corporate governance, risk management, data privacy, cybersecurity as well as environmental management.

HLF continues to seek opportunities to widen our business model to achieve long-term sustainability. By leveraging on HLF's established brand and customer

base, new products and stronger internal capabilities will be introduced to enable us to grow our revenue streams and enhance our profitability. We have embarked on our digitalisation journey which has resulted in leaner and more efficient processes as well as better customer experience.

This year, we conducted a materiality review to ensure that our material ESG issues continue to be relevant with new developments and emerging trends in our industry. The outcome of this materiality review is a refreshed sustainability framework, which defines the 'Sustainable Business Priorities' crucial for us to create long-term business profitability, as well as the 'Responsible Business Practices' that are fundamental to maintaining the trust of our stakeholders. Our Sustainability

Report for 2019 articulates how the management of material ESG factors drives overall sustainable business growth for HLF. On top of this, we have also included new disclosures in our report, demonstrating greater transparency towards our stakeholders while driving performance improvement.

We are proud to present our SR and the progress made this year. HLF remains committed to business sustainability. We will continue to focus on driving revenue growth, cost management as well as staying agile to tap into opportunities and manage risks.

We thank you for journeying with us over the years and seeing us through each of our milestones. We look forward to your continued interest as we chart our way forward.

SUSTAINABILITY REPORT

SUSTAINABILITY AT HONG LEONG FINANCE

For HLF, sustainability is about having a long-term outlook and managing the material ESG factors affecting our business. This has become a growing imperative as the world is changing at a more rapid pace than ever before. Businesses in every industry, including ours, must constantly navigate an increasingly complex operating environment with evolving risks and opportunities. In particular, technology is redefining the boundaries of financial services. While rapid advancements in digitalisation allow for better customer reach and greater efficiencies at HLF, it also poses greater risks around data privacy and security. Having a robust sustainability strategy enables our business to continue thriving amidst this changing environment.

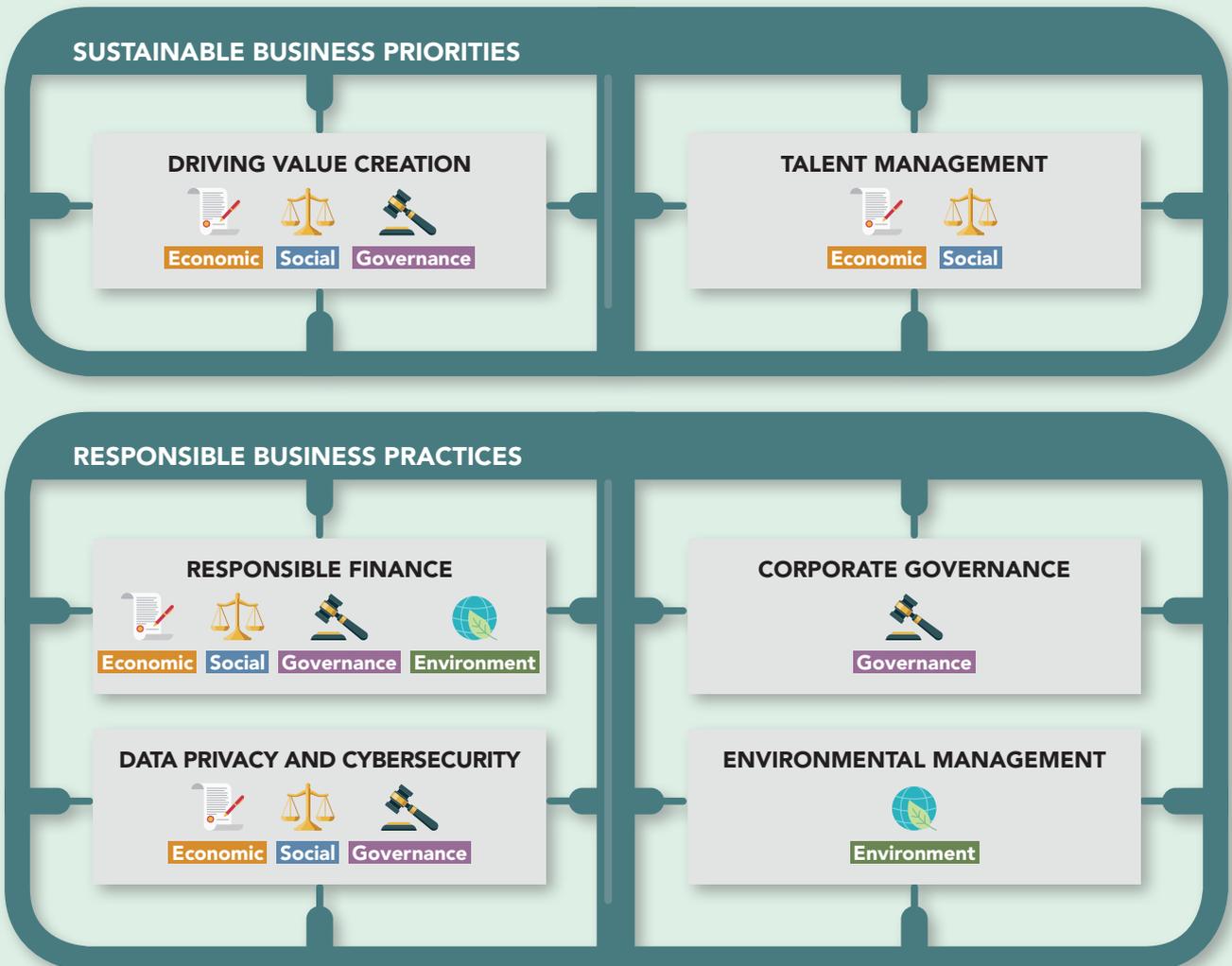
We acknowledge that sustainability is an ongoing journey and we remain dedicated to taking progressive steps year-on-year.

HLF'S SUSTAINABILITY FRAMEWORK

In 2019, we conducted a materiality review to ensure that our ESG issues continue to reflect the changing trends and stakeholder expectations in our industry. Building on the process and results of our previous materiality assessment in 2016, our review in 2019 involved a workshop with relevant internal stakeholders, including management staff and senior managers across different functions and businesses. As a result,

we have refreshed and identified six material issues which are presented in our sustainability framework below.

Two of the material issues are categorised under 'Sustainable Business Priorities', representing areas that we prioritise to create and sustain long-term profitability for our business and stakeholders. The other four material issues under 'Responsible Business Practices' refer to responsibilities, which we believe are fundamental to protecting the value we create, maintaining trust and ensuring the success of our day-to-day operations.



Our material issues and what they mean to HLF are outlined in the table below.

MATERIAL ISSUES	WHY THESE ISSUES ARE IMPORTANT TO US
Sustainable Business Priorities	
Driving Value Creation	It is vital for us to drive our business in a way that creates value for our customers. To do this, we invest in digitalisation to create more efficient business processes to deliver a higher level of customer service. We also constantly upgrade our suite of products and services to meet the changing demands of our customers, in particular SMEs.
Talent Management	In order for us to meet current and future talent needs, it is important for us to focus our efforts on attracting, retaining, training and developing our people. To protect the well-being of our employees, we also promote a culture of diversity and inclusion, and promote employee wellness.
Responsible Business Practices	
Responsible Finance	We maintain a strong commitment to guard against ESG risks in our lending activities. We do this by ensuring that we have a robust lending approach, in particular to integrate ESG factors in our credit risk analysis.
Corporate Governance	To ensure corporate governance is at the core of our DNA, we have in place stringent internal controls, including cultivating strong values and building a solid governance framework. To build a high level of trust with our customers, we also ensure that we provide them with accurate, transparent and fair information and advice to make the best-informed financial decisions.
Data Privacy and Cybersecurity	To manage the growing threats related to data privacy and cybersecurity, we have been and will continue to invest in efforts to ensure data privacy and to strengthen cybersecurity across our business.
Environmental Management	In line with growing concerns on climate change and environmental degradation, we seek to reduce our environmental footprint and to minimise the use of resources, including managing our paper and energy consumption. Some of these initiatives also help us to reduce costs.

SUSTAINABILITY GOVERNANCE



SUSTAINABILITY REPORT

SUSTAINABILITY AT HONG LEONG FINANCE

STAKEHOLDER ENGAGEMENT

Stakeholders play a critical role in our long-term business success, helping us to ensure that our products and services are relevant, and that we continue to conduct our business activities in the most responsible manner. We engage in active dialogue with our stakeholders through a variety of formats, allowing us to understand their concerns and respond in a timely and appropriate manner:

OUR KEY STAKEHOLDERS	FORMS OF ENGAGEMENT	KEY TOPICS RAISED	HLF'S RESPONSE
Customers 	<ul style="list-style-type: none"> • Website feedback form • Calls to Customer Service Centre • Formal correspondence • Face-to-face meetings • Customer events • SR • Annual Report ("AR") 	<ul style="list-style-type: none"> • Feedback on products and services • Customers' own challenges and priorities 	<ul style="list-style-type: none"> • Formed Customer Experience Committee to oversee customer feedback • Continue to develop digital initiatives to enhance products and services for customers • Utilising technology and digitalisation to improve front-end and back-end operational efficiency • Introduced SME Property Loan, Seasonal Business Loan and new loyalty programme to help SMEs with their challenges and priorities
Employees 	<ul style="list-style-type: none"> • SR • Staff Award Ceremony • Performance appraisals • Seminar and training sessions • Staff orientation • Sports and Recreation Club ("SRC") activities for staff and their family members 	<ul style="list-style-type: none"> • Upgrading of skills • Career development • Staff welfare, health and safety 	<ul style="list-style-type: none"> • Launched new training programmes, including future-enabled skills • Launched e-learning platform for employees to take courses at their convenience • Organising health and wellness activities for employees through SRC • Recognising employees with strong performance (e.g. Star Service Awards) • Workplace safety notice

OUR KEY STAKEHOLDERS	FORMS OF ENGAGEMENT	KEY TOPICS RAISED	HLF'S RESPONSE
Regulators 	<ul style="list-style-type: none"> • Consultations and meetings with regulators • Inspection reports • Survey, business and financial information updates • Clearance for quarterly financial statements, annual audited financial statements, submission of regulatory and tax returns/surveys as prescribed by Monetary Authority of Singapore ("MAS") Notices, Singapore Exchange ("SGX") circulars and regulations • SR 	<ul style="list-style-type: none"> • Prevention of financial fraud, prevention of money laundering and countering the financing of terrorism • Regulations, accounting, taxes and financial reporting • Enhancements in IT security to address IT risks such as cyberattacks 	<ul style="list-style-type: none"> • Compliance with regulatory guidelines, advisory and notices by MAS and other relevant authorities • Implemented new and revised policies and procedures to ensure HLF's operations meet the standards and requirements stipulated by the relevant authorities • Actively participated in consultation papers issued by regulators • Implemented revised IT security policies • Hosted regular IT Security Awareness Staff Training
Investors 	<ul style="list-style-type: none"> • Annual General Meeting ("AGM") • Presentation slides and minutes from AGMs (released via SGXNet) • Disclosure of material information through SGXNet announcements and press releases • Quarterly results announcement • AR • SR • Website 	<ul style="list-style-type: none"> • HLF's plans towards digital transformation • Corporate governance • Accurate and timely disclosures of material information relating to the Company and its financial performance • Dividend payment policy 	<ul style="list-style-type: none"> • Embarked on digitalisation initiatives • Achievements in corporate governance, business ethics and integrity
Local Community 	<ul style="list-style-type: none"> • Community engagement activities, donations 	<ul style="list-style-type: none"> • Community projects, local charities 	<ul style="list-style-type: none"> • Regular staff volunteering activities • Supported a variety of community projects and organisations

EXTERNAL INITIATIVES

To stay on top of issues relevant to our industry, we also actively participate in dialogue or maintain memberships with the following organisations:

- Finance Houses Association of Singapore
- Hire Purchase, Finance & Leasing Association of Singapore
- Singapore Business Federation
- Singapore Chinese Chamber of Commerce & Industry ("SCCCI")
- Singapore Food & Manufacturers' Association
- Singapore International Chamber of Commerce
- Singapore National Employers Federation
- The Association of Banks in Singapore ("ABS")
- The Institute of Banking and Finance

SUSTAINABILITY REPORT



Economic Social Governance

DRIVING VALUE CREATION

We endeavour to build a competitive business that enables us to enter new markets and propels us towards greater business performance. We do this by investing in initiatives to transit towards digital financial services, while developing relevant financial solutions for our corporate and consumer customers. Our efforts demonstrate our commitment towards a business model that drives long-term value for all stakeholders.

DIGITALISATION

Digitalisation represents one of the strategic thrusts of our sustainable business priorities, as outlined in our new sustainability framework. This year, we are investing further in digitalisation to achieve leaner and more efficient processes. While we are taking steps towards establishing a digital financial services platform, we continue to believe in the importance of the human touch, and see the seamless integration of digitalisation and face-to-face interactions with our customers as the way forward. Through this digital strategy, we look forward to delivering enhanced services that will present a new digital side of HLF.

To achieve our digitalisation goals, we employ a two-pronged approach – developing both our hardware (IT infrastructure) and software (talent pool).

Enhancing Our IT Infrastructure

This year, we undertook a number of initiatives to upgrade our IT assets to digitise both the front-end and back-end operations of our organisation, while ensuring that our IT architecture is agile enough to support new initiatives in the future.



KEY INITIATIVES

DIGITALISATION OF LOAN PROCESSING

Tapping on its enhanced IT architecture and capabilities, the company has developed a digital platform for hire purchase application in collaboration with selected car distributors and partners, which applications would be sent electronically through secured channels to HLF for processing. This platform also provides customers the option to use Govtech's MyInfo to furnish their personal data conveniently and securely for their online applications. MyInfo is a service provided by the government that enables citizens and residents to manage the use of their personal data for simpler online transactions.

In conjunction with the above, an automated rules engine has also been developed within the digital framework for faster credit assessment and screening of the applications. Application outcomes are communicated promptly to dealers and customers via electronic means through the digital platform.

Benefits:

- **Customer convenience and data security:** Personal data is submitted securely through MyInfo via customer's SingPass
- **Process efficiency:** Digital application processing replaces tedious data entry and hardcopy documents
- **Faster turnaround time:** Automated business rules engine enables faster credit assessment

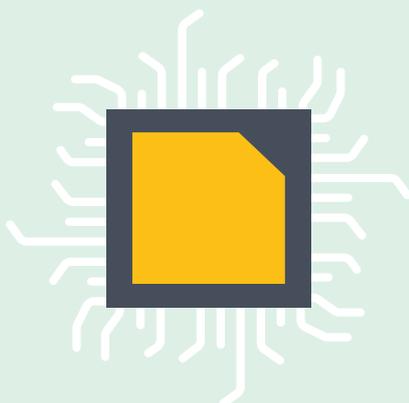
In addition to the pilot launch for vehicle financing, the digital capabilities will also be applied to other consumer products such as HDB and private housing loans to reap similar benefits.

ROLL-OUT OF ROBOTIC PROCESS AUTOMATION ("RPA")

RPA is a form of business process automation technology where bots (or autonomous programmes) are able to process data in place of manual input by employees. By adopting RPA, this will allow us to significantly improve operational efficiencies, increase accuracy in data processing, while freeing up employees' time to undertake work of higher value. This will benefit customers by increasing the accuracy of data input, while reducing the time required for data processing.

We began this transition with hire purchase processing due to the large volume of transactions involved. During this pilot phase, we selected champions from the operations departments to have hands-on appreciation of the new technology. This gave our high-performing employees the opportunity to co-design the software while upgrading their skills in programming.

Looking ahead, we are planning to roll out RPA in other departments and back-office business functions, in order to improve the efficiency and accuracy of data processing across the company. We also look forward to building further internal capacity to identify opportunities to automate manual processes and digitise where possible.



KEY INITIATIVES (CONT'D)

- **Making Payments via PayNow:** Following the implementation of AXS payments for our customers last year, we also began offering PayNow as a payment option for hire purchase, mortgages and SME loans. This enables customers to make payments through internet and mobile devices conveniently.
 - **Collaboration with Fintech Companies:** In line with our vision to transit towards a digital platform to better serve customers, we are currently in discussions with a number of fintech companies on opportunities for collaboration to drive innovation. Tapping on their agile architecture, we are working towards adopting new customer-centric technologies.
 - **Building a Future-Ready Workforce:** As we develop our IT infrastructure, we are also aware of the importance of building a future-ready workforce, ensuring that our employees remain adaptable to ongoing technological changes and are well-prepared to ride on new opportunities in the future economy.
- See pages 64 and 65 for further information on our approach to training and development.

GROWING WITH SMES

SMEs are a key driver in our local economy, representing 99% of the total number of enterprises in Singapore. As an SME specialist, we are committed to helping them overcome one of the main challenges they face – obtaining funding support. Over the years, we have provided products and services suited for the unique needs of SMEs, supporting them to achieve business growth.

KEY INITIATIVES

- **New Award-Winning SME Property Loan:** We are the first and only financial institution in Singapore to offer an SME Property Loan with a 6-monthly step-up interest, compared to yearly step-up rates offered by the market. The loan package helps SMEs to better adapt and manage their budgeting, and ultimately own their own premises without having to be subjected to rising rental costs. This innovative product won the “**Best Mortgage Loan of the Year, Singapore**” award at the Asian Banking & Finance Retail Banking Awards 2019.
- **Launch of New Seasonal Business Loans:** In our efforts to continue rolling out competitive packages to help SMEs in their cash flow, we introduced a short-term capital loan to help SMEs cash-in more sales during the festive season.
- **Launch of New Loyalty Programme:** In collaboration with Millennium Hotels and Resorts, we launched the **HLF Exclusive Privileges Programme**, opening up a world of special dining, entertainment and accommodation privileges to our SME customers to help them manage costs in these areas.
- **Participating in the Enterprise Financing Scheme (“EFS”):** HLF is one of the participating financial institutions of EFS, a government scheme which helps local enterprises access financing more readily throughout their various stages of growth – whether it is to automate and upgrade their equipment or to buy business premises for commercial/industrial usage.
- **Opening of our 12th SME Centre:** The new centre at our Potong Pasir branch allows us to offer more services that are accessible to prospective customers in the area.
- **Supporting the SMEs Go Digital initiative:** HLF is a supporter of SMEs Go Digital, an initiative by Infocomm Media Development Authority and Enterprise Singapore, which aims to support SMEs in their digital journey. We assisted SMEs on two fronts – by helping them to finance their digital solutions, as well as having our Relationship Managers provide guidance on the grant application of these solutions.
- **New Customer Self-Help App:** Partnering with ST Engineering, we conceptualised a mobile application for SMEs to key in their financial needs and received advice on HLF’s customised financial solutions. The application was deployed at the Annual SME Conference and Infocomm Commerce Conference, a large-scale SME event organised by the SCCC.

SUSTAINABILITY REPORT

OPERATIONAL EFFICIENCY

We constantly enhance our processes to improve customer delivery. This year, one of our biggest initiatives was to streamline internal work processes in order to improve operational efficiency.

KEY INITIATIVES

- **Initiatives from the Operation Improvement Team ("OIT"):** Comprising experienced employees from different departments, the OIT sought feedback both from the ground and from our leadership, in order to identify and drive process streamlining, automation, compliance and standardisation across departments. The process was anchored on the Lean Principles of workplace efficiency and some of the outcomes included the removal of over-processing, wait time and non-value-added steps. Through these initiatives, we were able to reduce business cost and reap benefits for our customers and staff. An example is the reduction in turnaround time for Hire Purchase loan disbursement from 2-3 days to within a day, while maintaining a consistent level of service for our dealers.
- **Initiatives from the Customer Experience Team ("CET"):** CET was formed to address the needs and expectations of our customers through their feedback. CET identifies areas where we can align our current processes to embrace process automation and digital transformation for a better customer experience. In 2019, CET initiated the use of SMS notifications to replace hard copy notices as a means to inform customers of key notices. This initiative, aimed to improve efficiency, is targeted for rollout in 2020.
- **Training on Managing Service Challenges:** This year, more than 180 branch employees attended trainings to learn how to respond swiftly and effectively to service challenges. Topics included identification of complaint triggers, communication skills and script crafting.
- **Revamp of Telephone Hotlines:** To improve our accessibility for customers, we revamped our telephone hotlines to minimise dropped customer calls, especially when they need immediate assistance.

OUR SERVICE AWARDS

Awards help us to recognise employees that have gone above and beyond their role to show customers that we are committed to delivering the best service for them.



HLF Star Service Award: Every year, we recognise employees who receive compliments, as a testament to their focus on customers.



Excellent Service Award by ABS: Two of our employees, Ms Francis Tan and Mr Ken Siaw, received the Excellent Service Award by ABS, which recognises staff that have delivered exceptional service. They are pictured with Mr Jeffrey Toh, Senior Vice President, Corporate and Consumer Business (right) at the award ceremony.

TALENT MANAGEMENT



Our employees are our most important asset, vital to our goal of achieving sustainable business growth. To propel ourselves forward, it is crucial for us to develop the full potential of our employees and create a workplace that is inclusive, collegial and engaging, while providing opportunities for personal and professional development.

ATTRACTION AND RETENTION

Our approach to employee attraction and retention is focused on the following strategies:

- a) **Training & Development:** Offering our employees ample opportunities for training and career development.
- b) **Employee Benefits, Health and Wellness:** Providing competitive employee compensation and other benefits, including to promote their health and wellness.
- c) **Diversity and Inclusion:** Offering equal opportunities to all employees based on merit, regardless of their gender, race, marital status or other factors.

This year, our multi-disciplinary team of employees comprised 633 Full Time Employees, 1 Part-Time Employee and 6 Temporary Staff, each bringing a complementary range of skills to our work.

By Age Group



By Gender



1 These figures have been restated from the 2017 and 2018 Sustainability Reports as the number of new hires for these 2 years did not include employees who joined and left within the same year in question.

2 These figures have been restated from the 2017 and 2018 Sustainability Reports as the number of voluntary attrition for these 2 years included employees whose last day of service was on 31 December of the year in question.

SUSTAINABILITY REPORT

TRAINING AND DEVELOPMENT

This year, our employees attended some 200 courses with more than 4,000 training places, targeting specific skill sets that are tailored to their individual professional roles. The myriad of training programmes are framed under four pillars, encompassing an all-rounded learning experience aimed at enriching both their technical and soft skills.

MAIN PILLARS	OBJECTIVES
Leadership and People Management	To help our leaders keep up with the latest trends through structured and peer learning. Topics include how to build effective teams, critical thinking and negotiation skills.
Workplace Skills	To develop employability and soft skills of our employees, including topics such as IT, conceptual and evaluative skills, interpersonal skills and personal management.
Core Skills	To develop technical and non-technical skills and knowledge of our employees. This includes training on our core products (e.g. housing loans) and soft skills (e.g. customers interaction), as well as knowledge required for the smooth operation of our business (e.g. regulatory and compliance, IT and data security).
Future-Enabled Skills	To help employees adapt to ongoing technological changes and to continuously innovate. This includes training to develop an experimental and user-centric mind-set to handle challenging situations. Training topics covered include Lean Principles, entrepreneurial thinking, human-centred design, data-driven decision making, Fintech and disruptive technologies.

KEY INITIATIVES

- **Future-Enabled Skills Training:** A new pillar to equip our employees with the right mind-set and skills to be in line with the Company's wider digitalisation strategy and to ride on new opportunities in the future economy.
- **SkillsFuture for Digital Workplace Programme:** Programme equips our employees with foundational knowledge of emerging technologies and how they impact their current work. For example, how these technologies may be used to help them interpret and process data.
- **Professional Education Incentive Award ("PEIA") Scheme:** An opportunity for employees to take up educational programmes ranging from certificate programmes to master's degrees, in a bid to encourage them to take charge of their development needs and complement their core skillsets.
- **Launch of e-Learning Programmes:** A new online learning platform to complement instructor-led classroom learning. By going digital, staff are now able to enjoy greater convenience and flexibility, as they can complete learning courses at their own pace. Courses made available on the new platform include Code of Conduct, IT Security Awareness, Anti-Money Laundering / Countering of Financing of Terrorism, Fraud, Anti-Corruption and Whistleblowing and Responsible Finance.

DEMENTIA AWARENESS TRAINING

As a dementia-friendly organisation, we have been conducting dementia awareness training for our employees since 2016.

This programme equips our employees with the knowledge and skills to respond appropriately to customers with dementia, providing them with relevant advice so that they can continue to access financial services safely. It also helps them to recognise and act on its signs and symptoms at work and in the community. A total of 300 employees have been trained over three years.

The employee training was initially conducted in 2016 by Forget Us Not ("FUN"), a joint initiative by Lien Foundation and Khoo Teck Phuat Hospital. In 2017, FUN trained our employees in a 'train the trainer' programme and we have since been conducting the training sessions in-house.



Improvement in Training Hours

There was an increase of more than 28% in staff training hours undertaken by our employees from 2018 to 2019.

Average Training Hours

	2019		2018		2017	
	Male	Female	Male	Female	Male	Female
Average training hours by gender	27	28	23	21	27	23

	2019	2018	2017	
	Average training hours by employee category	Senior Vice President to Managing Director	22	12
	Senior Officer to First Vice President	31	25	28
	Junior Executive to Non-Clerical	24	18	20

EMPLOYEE BENEFITS, HEALTH AND WELLNESS

To ensure that we offer competitive compensation packages, our compensation policy, which includes remuneration and welfare benefits, is regularly reviewed to be in line with market practices and norms.

We also actively promote a healthy lifestyle through activities organised by SRC. We organise a range of events to promote employee wellness. Many of our employees participate in these events together with their family members, taking the opportunity to spend quality time with family.

OUR KEY INITIATIVES



Archery Workshop



Annual Family Day and Walkathon

SUSTAINABILITY REPORT

DIVERSITY AND INCLUSION

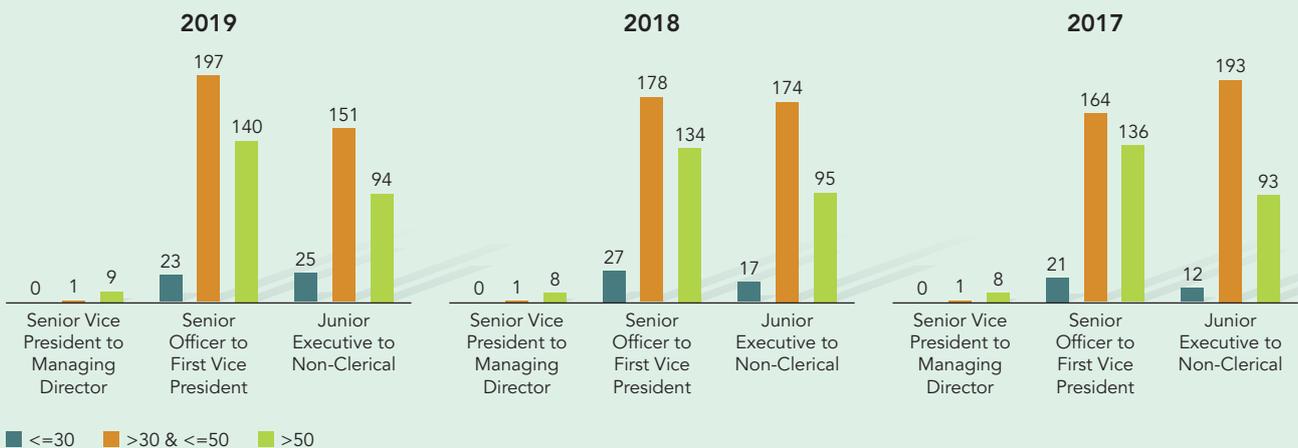
We are committed to promoting a fair and inclusive work environment based on meritocracy, equal employment and training opportunities with no discrimination based on factors such as age, race, gender, religion, marital status or disability. We also recognise the importance of having a diverse team with varied experiences to tap on.

KEY INITIATIVES

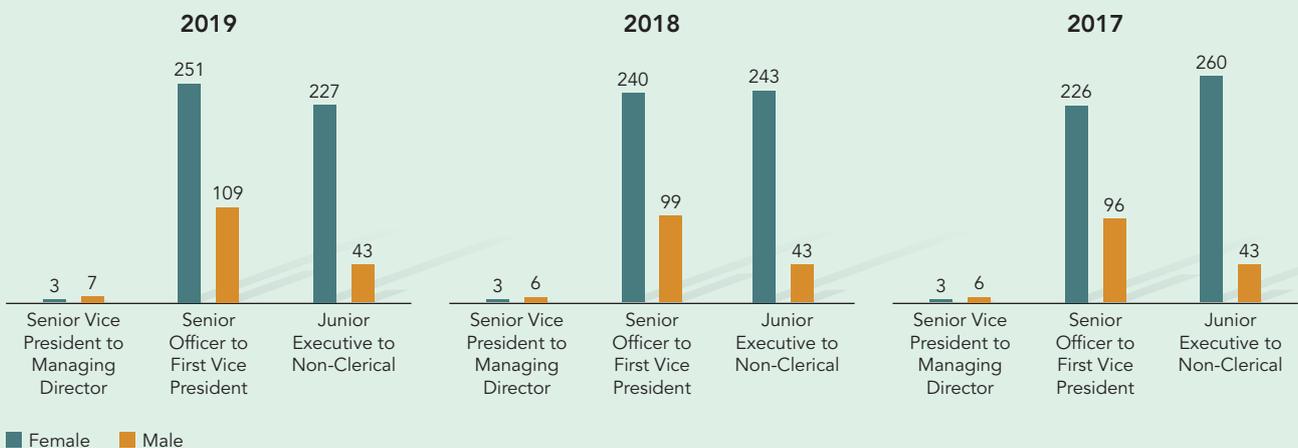
- Launch of New Diversity Thinking Programme:** Our new programme in 2019 gave employees the opportunity to learn about the importance of embracing diversity and how to communicate with people of different profiles.
- Offering Re-Employment Opportunities to Retiring Employees:** At age 62, employees are offered the option to continue working until age 67 and subsequently take on a year-to-year contract, subject to suitability.

PROFILE OF OUR WORKFORCE

Breakdown By Age Group



Breakdown By Gender



RESPONSIBLE FINANCE



Economic Social Governance Environment

We endeavour to deliver high quality financial products and services, while ensuring that we manage our ESG risks in a responsible manner.

As a financier, our core business, what we do and who we conduct business with, can directly or indirectly impact people, the environment and the economy. Thus, we recognise the importance of committing to and implementing responsible lending practices as part of our business model.

Currently, the majority of our portfolio includes personal, SME and corporate loans. Among our corporate borrowers, only a small proportion of our total corporate borrowers operate in sectors with elevated ESG risk profiles. To date, we do not have exposure to borrowers with unmitigated ESG risks.

KEY INITIATIVES

We have incorporated ESG risk analysis as part of the review process for corporate borrowers. In line with the Responsible Financing Guidelines ("RFG") published by ABS in 2015, our due diligence process includes the following 2 components:

1. ESG Risk Profile Assessment

Conducting ESG checks on companies at loan origination, as well as annual checks on companies with the following characteristics:

- Companies operating in the eight sectors identified to have an elevated risk profile, according to the RFG. These sectors include agriculture, chemicals, energy, infrastructure, mining and metals, waste management, forestry and defence. For borrowers in these industries, our Relationship Managers ("RMs") conduct a detailed risk assessment together with the borrowers, covering areas such as incidents of pollution, and whether there are any existing grievances with local communities.
- Companies previously identified in the last assessment to have ESG issues.

Scope of RFG considerations on ESG Issues:

Environmental	Greenhouse gas emission, deforestation and forest degradation, loss of biodiversity and critical ecosystem services, water, air and soil pollution and contamination, and resource efficiency.
Social	Labour standards, community relations and engagement, human rights, health and safety, food security and other basic necessities of local communities or indigenous people.
Governance	Corporate ethics and integrity, reputation, management effectiveness, and risk management.

2. Identifying ESG Risks

Where ESG issues are identified, and depending on the scale, a timeline will be suggested for the borrower to comply, with progress tracked and reviewed periodically. On a case-by-case basis, borrowers may (under certain conditions) or may not be granted the loan.

Where appropriate, sector-specific guidance for ESG-sensitive industries are incorporated to provide further information on ESG risks unique to that industry.

Additionally, as part of our internal ESG capacity-building efforts, HLF staff from the Business, Credit and Risk Management departments have attended ESG-related training organised by ABS. Similarly, our RMs were trained internally on the Company's ESG framework and policies.

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE



Governance

We are committed to conducting business with high standards of corporate governance, accountability and transparency, paying particular attention to anti-corruption and combating financial crimes. Managing these issues will ensure we have the trust of our customers and the markets, which in turn helps us to protect the long-term value we aim to create.

ETHICAL BUSINESS CONDUCT, ANTI-CORRUPTION AND COMBATING FINANCIAL CRIMES

Conducting business ethically and with integrity is core to HLF. We view corruption and financial crimes as significant risks to our business and reputation.

Our Board is responsible for ensuring we maintain high standards of corporate governance and comply with all applicable laws and regulatory requirements. The Board provides leadership, sets strategic goals, oversees HLF's governance framework and monitors performance.

Conflict of Interest

To prevent conflict of interest, we have instituted the segregation of business activities within the company, such as using "Chinese Walls", as well as written policies and procedures to limit the flow of confidential and price-sensitive information between departments. We have also put in place internal controls on personal dealing.

Preventing Fraud

Our Fraud Policy provides guidance to the Company's employees on matters relating to fraudulent activities. Any cases of suspected corruption or fraud are reported to the relevant authorities through our Legal or Internal Audit Department, which will also keep the Audit Committee, Managing Director and senior management informed of such incidents.

This year, we had one incident of fraud committed by our customers. The case did not result in employees being dismissed or public legal cases being brought against HLF or our employees. The case was handled as per our standard operating procedures and the relevant

authority and regulator have been informed and updated accordingly.

Anti-Money Laundering ("AML") and Countering the Financing of Terrorism ("CFT")

To ensure that we minimise the risk of financial crime, we have in place our Policy on AML and CFT. This policy is supplemented by advisory capabilities, training, monitoring and assurance review.

Compliance

Compliance Department supports and works alongside business management to ensure relevant policies and controls are adequately designed and implemented for the effective management of compliance risks. We aim to ensure that our respective departments comply with all applicable regulatory and legislative requirements. The overall responsibility of compliance lies with the Board.

Whistleblowing

HLF has in place a whistleblowing policy where employees or other persons can raise in confidence concerns on possible improprieties relating to accounting, financial reporting, internal controls, auditing or other matters. In line with our policy, improprieties can be reported without fear of reprisals. The Audit Committee ("AC") has the responsibility for overseeing the implementation of this policy, with arrangements in place for independent investigations of matters raised and for appropriate follow up action to be taken. For further details on the whistleblowing procedure, please refer to: <https://www.hlf.com.sg/site-services/whistle-blowing-policy.html>



EMPLOYEE TRAINING

Anti-Corruption, Fraud and Whistleblowing

As part of our Orientation Programme, we also hold courses on anti-corruption, fraud and whistleblowing. The course on anti-corruption provides new hires with an understanding of the potential risk of corruption against the company, as well as how to recognise, address, resolve and prevent instances of corruption which may arise in the course of their work. Meanwhile, our fraud and whistleblowing training explains key terms to employees, helps them identify when and how to use our whistleblowing mechanism, and explains how whistle-blowers are protected. This year, we also held refresher courses on these topics, attended by all of our employees³.

AML and CFT

All new employees are also provided with training on AML and CFT as part of the Orientation Programme. In addition, we also provide refresher training on AML and CFT to the Board, senior management and general staff biennially. This year, all of our employees³ completed the AML and CFT biennial refresher training.

More details on our corporate governance practices can be found on pages 26 to 49.

³ Exclude despatch staff, non-clerical staff as well as staff who were on long medical leave

OUR CORPORATE GOVERNANCE AWARDS

Our efforts over the years have paid off. HLF has been **awarded SGX Fast Track for two years** in recognition of our high standards of corporate governance and good compliance track records. This allows HLF to enjoy prioritised response from SGX on corporate action submissions including circulars, requests for waiver and applications for share issuance for two years.

HLF was also conferred the **Most Transparent Company – Runner-Up in the Finance Category at SIAS Investors' Choice Award** for the second year running.

RISK MANAGEMENT

At the highest level, our Board bears the ultimate responsibility for limiting and monitoring the Company's risk exposures. To assist the Board in fulfilling its duties, the Company's Board Risk Committee ("BRC") oversees and reports to the Board on matters relating to risk functions. The BRC reviews and approves the risk management framework, related risk management policies, systems and risk appetite to ensure their adequacy and effectiveness.

Reporting to the BRC are the Management Risk Committee, Business Continuity Disaster Recovery Committee and Asset & Liability Committee, comprising senior management. They meet regularly to review the Company's performance against a changing macro-economic and regulatory environment.

The Risk Management and Compliance functions are performed by two separate dedicated teams which are independent from business in the reporting line. Our robust Risk Management framework enables HLF to seize business opportunities in a fast-changing environment through informed risk-based decisions. The risk management processes are regularly reviewed and improved to ensure proper management of risks. Appropriate measures are taken in a timely manner to mitigate identified weaknesses in the control environment.

HLF's reputation and financial stability are of fundamental importance to HLF and its stakeholders, including customers, shareholders, and employees. We manage reputational risk through high standards in corporate governance, operational risk management framework and business continuity planning. Where possible, we adopt industry best practices and norms including standards such as ISO 22301.

TRANSPARENT AND FAIR ADVICE TO CUSTOMERS

We remain firm in our commitment to provide our customers with accurate, transparent and appropriate advice, enabling them to make well-informed decisions for their financing needs. This is also crucial for us to earn their trust and safeguard their interests.

We go to great lengths to ensure our employees comply with the Singapore Code of Advertising Practice, which contains provisions on fair marketing and advertising, when conducting business on behalf of the Company. Our marketing material is also designed to be simple, clear and accurate for our customers, in order to avoid the misinterpretation of complex financial concepts.

All new marketing employees go through a structured training course to ensure they are well-equipped to provide quality advice and appropriate recommendations to our customers. We also ensure they are well-versed in salient product features and regulatory guidelines, which are instrumental to providing transparent and fair advice in their sales interactions.

When new product features or regulations emerge, employees also attend relevant courses and briefings by subject matter experts.

This year, we did not have any reported incidents of non-compliance with the Singapore Code of Advertising Practice nor any legal actions filed against us for anti-competitive behaviour.

SUSTAINABILITY REPORT



Economic **Social** **Governance**

DATA SECURITY AND CUSTOMER PRIVACY

As we continue our efforts to leverage technology and innovation to drive business growth, we are also becoming increasingly cautious of the risks associated with technology. Our approach to data security and customer privacy is both to invest in a strong IT security team and infrastructure to detect attempted cyberattacks, as well as to equip our individual employees to protect them against data theft.

Data protection is of paramount importance to us as HLF produces, collects and uses many different types of data in conducting its business. We recognise that inadequate and improper data protection, including data held and managed by third party suppliers, could lead to serious business disruptions such as security breaches, data loss, financial loss and other forms of damage for the Company.

Data Classification Policy

We have in place a Data Classification Policy which provides a system for protecting electronic data, data recorded on paper and information accessed orally, visually or by other means. The policy outlines the responsibility of our employees to protect the confidentiality and integrity of data generated, accessed, transmitted, stored or used by the Company. The policy is reviewed annually, taking into account any changes in our business processes and uses of data, to ensure it is kept up to date and relevant. Any changes to the policy are approved by the Data Management Committee.

Data Breach Management

The effective management of a data breach can help to prevent further data loss, significant fines and tarnished reputation. While we have measures to monitor and take pre-emptive actions to prevent data breaches, we have a data breach management plan to manage and respond to data breach incidents when they occur. In 2019, HLF had no complaints or breaches concerning customer privacy and losses of customer data.

Regulatory Compliance

HLF is governed by the key regulatory requirements as part of an overall Data Protection Framework in Singapore to protect data or information in its possession.

Personal Data Protection Act ("PDPA")

We recognise both the rights of individuals to protect their personal data, including rights of access and correction, and the needs of organisations to collect, use or disclose personal data for legitimate and reasonable purposes. Our Data Protection Officers are responsible for ensuring that the Company complies with the PDPA.

Phishing Email Simulation Exercise

In January 2019, the Data Management team conducted a phishing email simulation exercise on a sample size of 200 employees across all departments. The exercise emphasised the message "Be Wary. Think Before You Click", reminding employees that it only takes a single incident of cyberattack to cause a significant serious impact to HLF.



ENVIRONMENTAL MANAGEMENT

HLF is committed to managing our own environmental footprint, in particular to reduce our use of paper and energy.

As an office-based company, our direct environmental footprint is not an area where we will make the greatest impact. This is why our primary focus on addressing environmental issues is

linked to our financing activities. However, we remain focused on encouraging employees to do their part, including to minimise the use of paper while reducing energy consumption.

REDUCTION IN PAPER CONSUMPTION

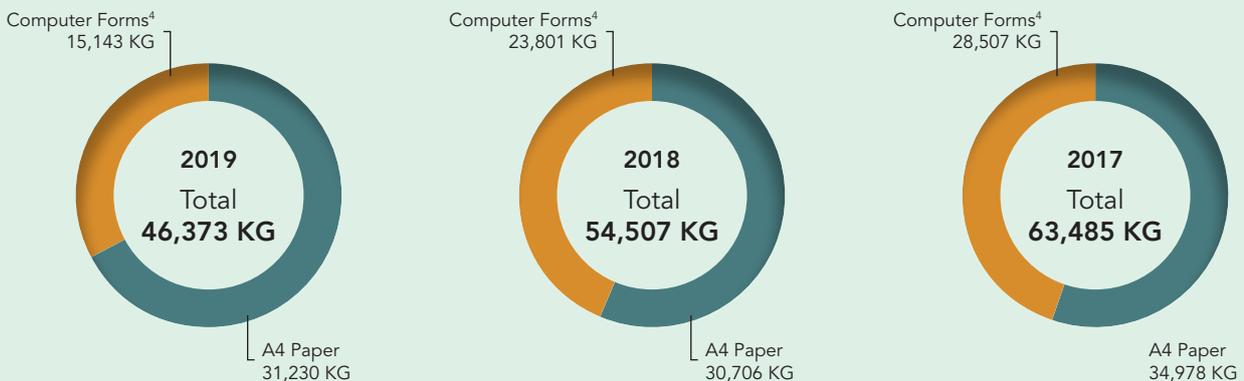
We continue to make progress in reducing our paper consumption. This year we focused on a number of initiatives which built on our existing efforts.

KEY INITIATIVES

- **E-Reporting System:** Launched a new e-reporting system, which led to a reduction in the printing of reports on paper by 36%.
- **Electronic Fund Transfer:** In line with Smart Nation and cashless society initiatives, adopted electronic payments in our dealings with banks and suppliers which resulted in greater operational efficiency and replaced cheque issuance and paper instructions.
- **QR Code on Name Cards:** Adding QR codes on employee name cards to reduce physical distribution of card. Customers can choose to scan the QR code to save the contact instantly into their phones without having to take away the name cards for input later.
- **SMS Notifications:** Working on an initiative to inform our customers of key notices via SMS instead of sending hard copy notices, to be rolled out in 2020.

Primarily due to our migration to an e-reporting system, our net paper consumption on A4 paper and computer hardcopy report fell by 15%.

Breakdown By Paper Consumption



⁴ The methodology adopted for consumption of computer forms has been enhanced in 2019 to reflect actual usage. The corresponding numbers for 2018 and 2017 were re-aligned and adjusted accordingly.

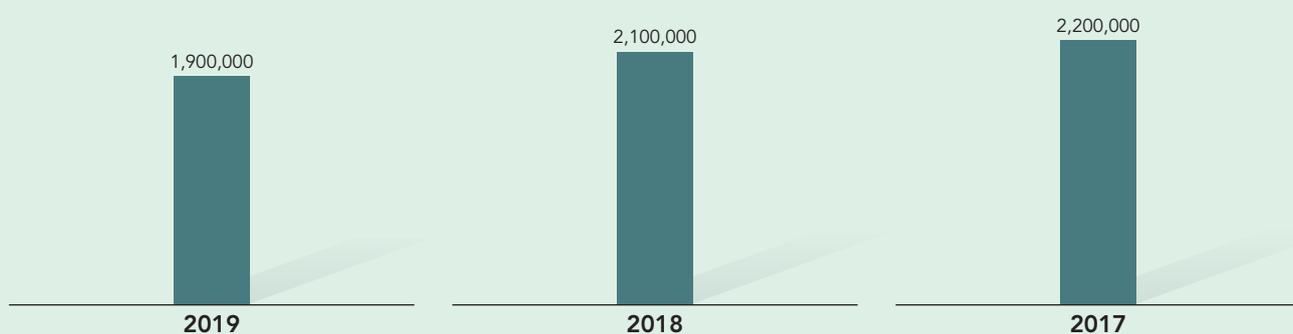
SUSTAINABILITY REPORT

GHG EMISSIONS AND ENERGY REDUCTION

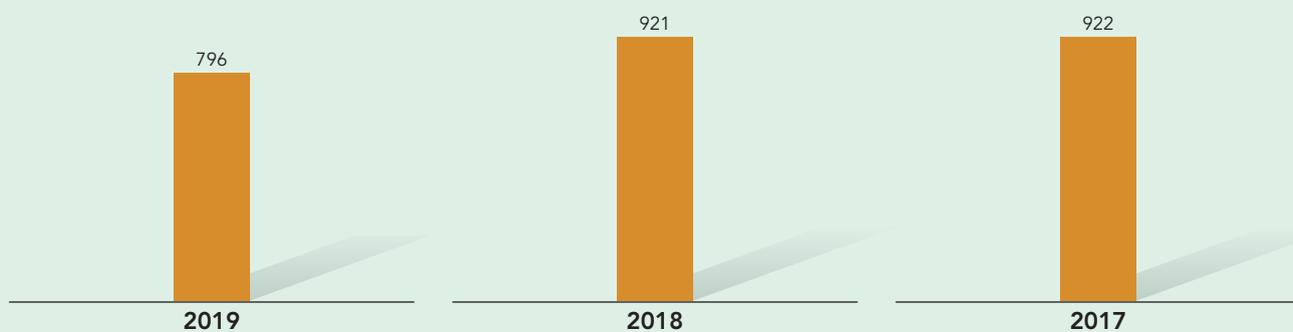
We reduced our GHG emissions through initiatives such as engaging our employees on energy efficiency as well as upgrading our existing infrastructure and facilities (e.g. installing energy-efficient LED lighting system at our offices).

To create a culture among our employees to use fewer natural resources wherever possible, one of our initiatives this year was to add sustainability messages in our Company Calendar 2020 as a constant reminder for them. Through our efforts, we were able to reduce our energy consumption significantly over the past few years, recording a 10% decrease in 2019 compared to 2018.

Breakdown Of Total Energy Consumption (kWh)



Breakdown Of Scope 2 Emissions⁵ (tonne CO₂e)



⁵ The Scope 2 GHG emissions are from the consumption of purchased electricity. The emission figures for 2017 and 2018 have been restated to reflect the latest conversion factors published by the Energy Market Authority (Electricity Grid Emission Factor updated on 28 October 2019).



COMMUNITY Social

HLF is committed to achieving business excellence while serving and giving back to the communities in which we operate.

While community investment is not identified as a material issue for HLF, we believe in our ability to create meaningful impact in the wider community. Every year, we commit resources to support social causes that align with our values.

Employee Volunteering

We believe in strengthening employee engagement through volunteering opportunities. This year, a total of 34 employees volunteered their time during working hours for our various charity events. We will continue to encourage more employees to participate in such events in the future.

KEY ACTIVITIES

• Donations:

- **Children for Children Fundraising Event:** Together with Hong Leong Group, HLF continues to be a long-term sponsor of Children for Children, an annual fundraising and charity event jointly organised by The Business Times, CHIJ Kellock (Primary), The RICE Company Ltd and Resorts World Sentosa. The funds were used to help financially-disadvantaged children across 36 primary schools to pursue their interest in the arts.
- **Support for Budding Artists Fund:** This year, HLF was one of the companies in Hong Leong Group that helped to raise S\$200,000 for The Business Times Budding Artists Fund, which supports underprivileged children and youth to pursue the arts.
- **Support for Memories Café Programme:** HLF supported ADA's Star Charity Luncheon to raise funds to expand beneficiary outreach for its popular Memories Café programme. The programme is a weekly two-hour social gathering held in public cafes for persons with dementia and their caregivers, in order to express and forge friendships through music activities and reduce societal stigma.

• Volunteerism:

- **Fundraising at Assisi Fun Day 2019:** For the second year running, HLF participated in Assisi Fun Day, a fundraising event for Assisi Hospice which provides palliative care to patients with life-limiting illnesses. 25 staff from different departments volunteered to manage stalls offering games, activities and treats. Their efforts contributed to the overall success of the event.



HLF spending a morning of fun and feasting with Tai Pei Old People's Home

- **Karaoke and Games with Seniors:** 17 staff volunteers brought 30 seniors from Tai Pei Old People's Home for an outing at Orchard Hotel Singapore. The seniors enjoyed the morning with a hearty buffet brunch, karaoke and game sessions with the volunteers.
- **Celebrating Lunar New Year with Seniors:** Along with other employees from Hong Leong Group, our employees celebrated Lunar New Year with more than 40 elderly beneficiaries from Bo Tien Home for the Aged and Kheng Chiu Loke Tin Kee Home.



HLF employees enjoying bonding time while contributing to fundraising efforts at Assisi Fun Day

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW, OBJECTIVES AND STRATEGIES

Hong Leong Finance Limited (“HLF” or the “Company”), incorporated in 1961, is the listed financial services arm of the Hong Leong Group Singapore. Today, HLF is Singapore’s largest finance company with a network of 28 branches island-wide including 12 Small and Medium Enterprise (“SME”) Centres established within the branch network, serving all walks of life encompassing the SMEs and retail customers. Our activities are principally governed by the Finance Companies Act (Chapter 108) and regulated by the Monetary Authority of Singapore. The principal activity of our subsidiaries is the provision of nominee services. HLF’s core business is taking of deposits from the public and provision of a suite of financial products and services that include consumer and corporate loans and corporate advisory services.

With 58 years of experience in helping SMEs build a strong and solid platform for sustainable growth and success, HLF understands the needs of the SMEs well. Through our dedication and commitment, serving the SME business community has evolved to be HLF’s core business activity.

HLF is committed to strengthening our leadership status in the market and believes that it takes more than just assets to be a real leader. We are devoted to building mutually rewarding relationships with our customers and business partners, understanding their financial needs and ensuring that we are with them every step of the way. In line with the pledge to expand the provision of comprehensive and accessible financial services to the SMEs and the HDB homeowners who are our core customers, HLF has been constantly developing and creating more value in our products and services. The SME Centre @ Hong Leong Finance network has further strengthened our foothold in the SME market and increased our visibility to businesses through our extensive branch network.

As value-add services to our corporate customers, HLF’s full sponsorship status for the SGX Catalyst

Board makes us the only finance company in Singapore to provide financial advisory and fund raising services to SMEs aiming to list on Catalyst. We also render corporate advisory services to companies interested in listing on the Singapore Exchange and for mergers and acquisitions, and underwrite the sale of shares by listed companies. HLF continues to participate in SME related events and various government initiatives dedicated to helping SMEs grow and seize business opportunities, thus reaffirming our unwavering support for local entrepreneurs.

To maintain our competitive edge, HLF remains steadfast in innovating and delivering customer-centric products, services and experiences to assist both the retail and corporate customers in fulfilling their aspirations and achieving their financial goals. To stay relevant in the digital age, the Company has embarked on the digital journey to digitalise some of our processes and services along with collaborative opportunities with fintech companies to deliver innovative customer-centred solutions.

HLF is supportive of the initiative by The Association of Banks in Singapore in promoting Responsible Financing practices within the industry. As part of the review process for corporate borrowers, Environmental, Social and Governance (“ESG”) checks are carried out for companies operating in sectors with an elevated ESG risks profile and those noted with ESG issues.

HLF firmly believes in creating value for our investors, employees, society and the environment as well as cooperation with regulators for they are cornerstone to business sustainability. They play a critical role in shaping the Company’s strategy, plans, policies and operations. By maintaining good communications and constructive relations with them, the Company is able to proactively respond to their feedback to meet their needs.



FINANCIAL ANALYSES

Analysis of Performance

The financial statements are prepared in accordance with Singapore Financial Reporting Standards International ("SFRS(I)").

	2019	2018	Variance*
	\$mil	\$mil	+ / (-) %
Selected Profit and Loss Items			
Net interest income/hiring charges	201.7	212.1	(4.9)
Fee and commission income	13.7	15.4	(10.6)
Other operating income	0.3	0.6	(47.2)
Income before operating expenses	215.7	228.1	(5.4)
Less: Operating expenses	90.2	88.2	2.3
Profit from operations before allowances	125.5	139.9	(10.2)
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts and other financial assets	(1.6)	2.2	(169.3)
Profit before tax	123.9	142.1	(12.8)
Profit after tax attributable to owners	103.1	118.3	(12.9)
Selected Balance Sheet Items			
Loans, advances and receivables (net of allowances)	11,554	10,278	12.4
Deposits and balances of customers	12,307	11,338	8.5
Total assets	14,461	13,381	8.1
Total liabilities	12,547	11,507	9.0
Total equity	1,914	1,874	2.1
Key Financial Ratios			
Net interest margin (%)	1.5	1.7	
Net interest income/total income (%)	93.5	93.0	
Non-interest income/total income (%)	6.5	7.0	
Cost/income ratio (%)	41.8	38.7	
Loans/deposits ratio (%)	94	91	
Non-performing loans ratio (%)			
- Secured by collateral	0.7	0.7	
- Unsecured and fully provided for	0.1	0.1	
Return on equity (%)	5.4	6.4	
Return on assets (%)	0.7	0.9	
Capital adequacy ratio (%)	15.0	15.7	
Earnings per share (cents)			
- per basic share	23.1	26.6	(13.1)
- per diluted share	23.0	26.5	(13.1)
Net assets per share (\$)			
- per basic share	4.28	4.20	1.9
- per diluted share	4.17	4.08	2.2

* Calculated based on actual figures before rounding.

OPERATING AND FINANCIAL REVIEW

	2019	2018
	cents	cents
Dividend per share (tax exempt)		
- interim	5	5
- final	10	10
Total	15	15

(a) Results for the year

Pre-tax profit from operations before allowances was \$125.5 million in 2019, a decrease of 10.2% from \$139.9 million in 2018. The Group reported profit before tax of \$123.9 million for 2019, a decrease of \$18.2 million or 12.8% over the previous year. The results were arrived at after additional net allowances of \$1.6 million against net recoveries of doubtful debts amounting to \$2.2 million in 2018. Group profit after tax for the year registered a decrease of \$15.2 million or 12.9% over the previous year.

Net interest income/hiring charges decreased by 4.9% to \$201.7 million driven by increased cost of fund on higher deposit base to support the loan growth. Net interest margin decreased from 1.7% in 2018 to 1.5% in 2019.

Non-interest income decreased to \$14.0 million (2018 : \$16.0 million) or by 12.0% in 2019. Fee and commission income, the largest component of non-interest income, decreased by 10.6%. Total operating expenses increased by 2.3% to \$90.2 million, mainly stemming from upgrade in system infrastructure and technology to support new business initiatives and to enhance compliance controls. The cost to income ratio increased to 41.8% from 38.7% a year ago.

(b) Loans and deposits

Loans, advances and receivables (net of allowances) increased by 12.4% in 2019 to \$11,554 million from \$10,278 million. The non-performing loans ("NPL") ratio remained stable at an aggregate of 0.8% after accounting for recoveries and write-offs. The NPL ratio comprised secured NPL of 0.7% (2018 : 0.7%), with the balance 0.1% (2018 : 0.1%) being the unsecured portion which is fully covered by specific allowances.

Deposits and balances of customers amounted to \$12,307 million as at 31 December 2019. The loans to deposits ratio stood at 94% (2018 : 91%).

(c) Shareholders' equity and dividends

Return on equity was 5.4% in 2019, down from 6.4% in 2018 and return on assets was 0.7% in 2019, down from 0.9% in 2018. This is attributable to lower profits in 2019. Net assets per share rose to \$4.28 in 2019 from \$4.20 in 2018.

As detailed in the Chairman's Statement, an interim dividend of 5 cents per share (tax exempt one-tier) was paid on 11 September 2019. With the proposed payment of a final dividend of 10 cents per share (tax exempt one-tier) in respect of the financial year ended 31 December 2019, subject to the approval of shareholders, the total distribution for 2019 will amount to approximately \$67.1 million, compared to \$66.9 million for 2018.

(d) No significant subsequent event period

This report is made up to the date of the release of the financial statements announcement for the full year ended 31 December 2019 based on figures that have been audited.

Net Interest Income

Net interest income includes hiring charges. Overall, net interest income decreased by 4.9% to \$201.7 million in 2019 from \$212.1 million in 2018. Net interest income was the major source of income contributing 93.5% (2018 : 93.0%) to total income.

Net interest margin as a percentage of interest-bearing assets stood at 1.5% in 2019 (2018 : 1.7%).

	2019			2018		
	Average Balance \$mil	Interest \$mil	Average Rate %	Average Balance \$mil	Interest \$mil	Average Rate %
Interest-bearing Assets						
Loans, advances and receivables	10,956	349.9	3.2	10,323	312.7	3.0
Singapore Government debt securities and MAS Bills	1,454	26.0	1.8	1,323	21.3	1.6
Other assets	1,153	20.5	1.8	1,114	15.9	1.4
Total	13,563	396.4	2.9	12,760	349.9	2.7
Interest-bearing Liabilities						
Deposits and balances of customers	11,775	193.6	1.6	10,946	137.5	1.3
Other liabilities	6	0.3	4.1	8	0.3	4.0
Total	11,781	193.9	1.6	10,954	137.8	1.3
Net interest income/margin as a percentage of interest-bearing assets	-	202.5*	1.5	-	212.1	1.7

* Before deducting interest expense on lease liabilities of \$0.8 million.

Volume and rate analysis

The table below analyses the changes in net interest income in 2019 over 2018 due to changes in volume and changes in rates.

Increase/(decrease) due to change in	2019		
	Volume \$mil	Rate \$mil	Total \$mil
Interest Income			
Loans, advances and receivables	19.3	17.9	37.2
Singapore Government debt securities and MAS Bills	2.1	2.6	4.7
Other assets	0.5	4.1	4.6
Net	21.9	24.6	46.5
Interest Expense			
Deposits and balances of customers	10.4	45.7	56.1
Other liabilities	-	-	-
Net	10.4	45.7	56.1
Net interest income	11.5	(21.1)	(9.6)

OPERATING AND FINANCIAL REVIEW

Non-Interest Income

Non-interest income decreased by 12.0% to \$14.0 million in 2019 (2018 : \$16.0 million). Fee and commission income which constituted 97.7% (2018 : 96.2%) of non-interest income was \$13.7 million in 2019 (2018 : \$15.4 million).

Total non-interest income for 2019 was 6.5% of total income, down from 7.0% for 2018, with the non-lending portion comprising 0.7% of total income (2018 : 0.8%).

	2019	2018	Variance*
	\$mil	\$mil	+ / (-) %
Fee and Commission Income			
Loan related and other financing business	12.2	13.7	(10.4)
Non-lending business including corporate advisory services and other trailer fees	1.5	1.7	(11.8)
	13.7	15.4	(10.6)
Other Operating Income	0.3	0.6	(47.2)
Total	14.0	16.0	(12.0)

Operating Expenses

Total operating expenses increased by 2.3% to \$90.2 million in 2019 from \$88.2 million in 2018.

	2019	2018	Variance*
	\$mil	\$mil	+ / (-) %
Staff costs	67.7	66.9	1.1
Depreciation of property, plant and equipment ¹	8.1	2.0	312.8
Other operating expenses ²	14.4	19.3	(25.2)
Total	90.2	88.2	2.3
Group staff strength – period end	640	634	0.9
Group staff strength – average	635	627	1.3

¹ Included depreciation on right-of-use assets of \$6.4 million (2018 : Nil) on adoption of SFRS(I) 16.

² Included rental expense of \$6.9 million in 2018.

* Calculated based on actual figures before rounding.

Analysis of Gross Loan Portfolio

(a) Customer loans by product group

With an increase in the loan portfolio, property related loans made up 83% of the total loan portfolio as at 31 December 2019 (2018 : 80%), with property loans other than housing/HDB home loans taking the bigger share at 71% of total portfolio (2018 : 67%). The housing loans component stood at 12% of the total (2018 : 13%) inclusive of HDB home loans of 8% (2018 : 8%).

Hire purchase loans formed 15% of total loan portfolio as at 31 December 2019 (2018 : 16%). Whilst such loans are principally fixed rate in nature, the gross loans continue to be progressively reduced by monthly principal repayments and early redemptions.

	2019		2018	
	\$mil	%	\$mil	%
Housing and HDB Home Loans	1,403	12	1,306	13
Property Loans – Residential/Commercial	8,159	71	6,920	67
HP Industrial/Vehicles	1,765	15	1,681	16
Share Loans	138	1	257	3
Others	109	1	133	1
Total	11,574	100	10,297	100

(b) Customer loans by remaining contractual maturity

	2019		2018	
	\$mil	%	\$mil	%
Reviewable/due within 1 year	2,456	21	2,279	22
Due after 1 year but within 3 years	3,560	31	2,938	29
Due after 3 years but within 5 years	2,257	19	1,940	19
Over 5 years	3,301	29	3,140	30
Total	11,574	100	10,297	100

OPERATING AND FINANCIAL REVIEW

(c) Non-performing loans

The loan portfolio includes secured non-performing loans of 0.7% of the portfolio in 2019 (2018 : 0.7%) together with unsecured non-performing loans of 0.1% of the portfolio in 2019 (2018 : 0.1%). The Group currently maintains full specific allowances for all non-performing loans where the net outstanding debt is not covered by the value of the collateral held.

There are no loans and advances graded as doubtful as at 31 December 2019 and 2018.

The non-performing loans position graded in line with industry definition together with the security coverage is given below.

	2019	2018	Variance*
	\$mil	\$mil	+ / (-) %
Substandard	85.3	79.5	7.3
Loss	6.6	7.7	(15.0)
Total	91.9	87.2	5.3
(i) Secured non-performing loans ("NPLs")	85.3	79.5	7.3
Secured NPLs as % of total NPLs	92.9	91.2	1.7%pt
(ii) Unsecured NPLs	6.6	7.7	(15.0)
Specific allowances for NPLs	6.6	7.7	(15.0)
(iii) Specific allowances as % of total NPLs	7.1	8.8	(1.7%pt)

Analysis of non-performing loans by industrial classification

	2019		2018	
	\$'000	%	\$'000	%
Manufacturing	504	1	1,492	2
Building and construction	9,502	10	9,372	11
General commerce	2,064	2	389	-
Transport, storage and communication	3,042	3	211	-
Investment and holding companies	-	-	42	-
Professional and private individuals	75,791	83	62,067	71
Others	950	1	13,622	16
Total	91,853	100	87,195	100

* Calculated based on actual figures before rounding.

Funding Sources

Total funding (including total equity) increased by 8.1% in 2019 to \$14,461 million from \$13,381 million in 2018. Customers' deposits was \$969 million or 8.5% higher in 2019 closing at \$12,307 million from \$11,338 million in 2018 in line with higher funding requirements. The Group's loans to deposit ratio was 94% compared to 91% a year ago. There are no bank borrowings outstanding.

	2019	2018	Variance*
	\$mil	\$mil	+ / (-) %
Fixed deposits	12,077	11,102	8.8
Savings deposits and other balances of customers	216	217	(0.7)
Current accounts and other deposits	14	19	(24.5)
Total customer deposits	12,307	11,338	8.5
Other liabilities	240	169	41.6
Total shareholders' equity	1,914	1,874	2.1
Total	14,461	13,381	8.1
Customer deposits by remaining contractual maturity			
On demand/up to 1 year	12,283	9,640	27.4
Over 1 year to 3 years	24	1,698	(98.6)
Total customer deposits	12,307	11,338	8.5

Capital Adequacy

The Group's capital adequacy ratio is higher than the minimum regulatory requirement. With the increase in the loan portfolio, as at 31 December 2019, the capital adequacy ratio was 15.0% compared to 15.7% as at 31 December 2018.

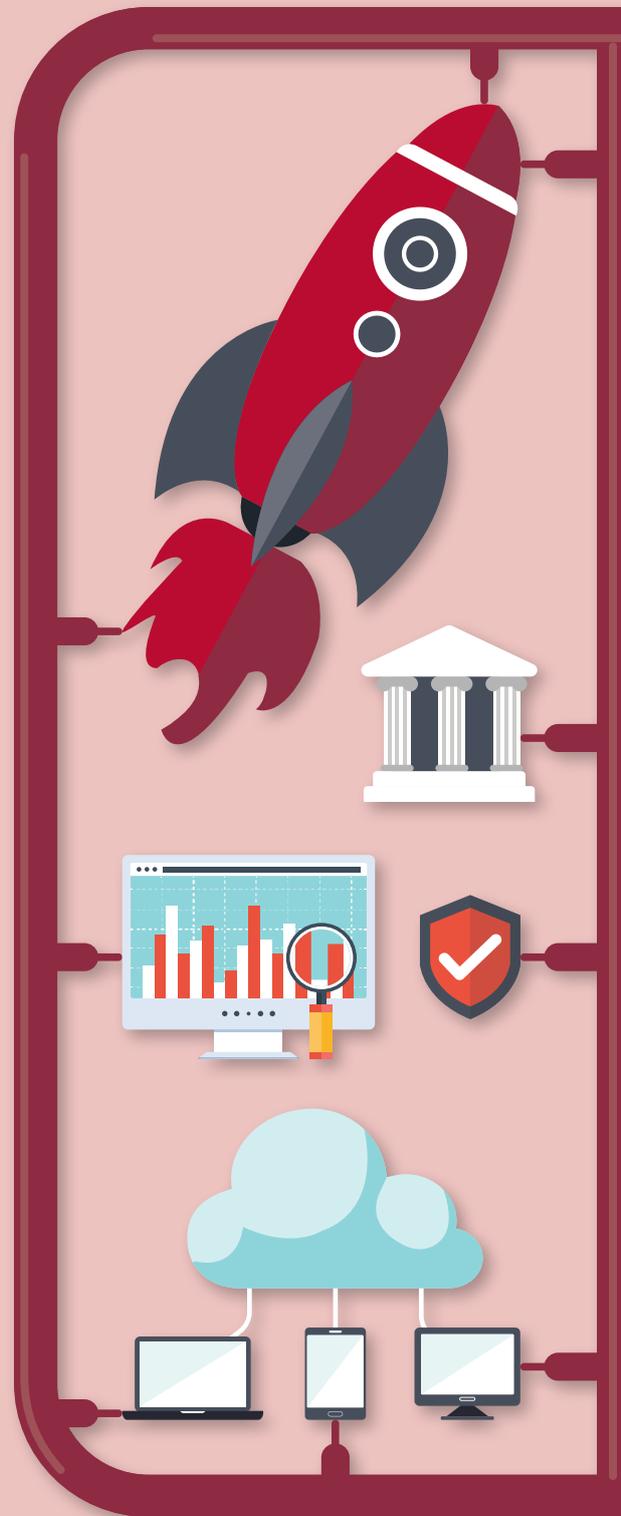
	2019	2018
	\$mil	\$mil
Share capital	889	884
Reserves	906	797
Eligible total capital	1,795	1,681
Risk-weighted assets	11,951	10,734
Ratio	15.0%	15.7%

Date: 27 February 2020

* Calculated based on actual figures before rounding.

EMPOWERING FUTURE-READINESS

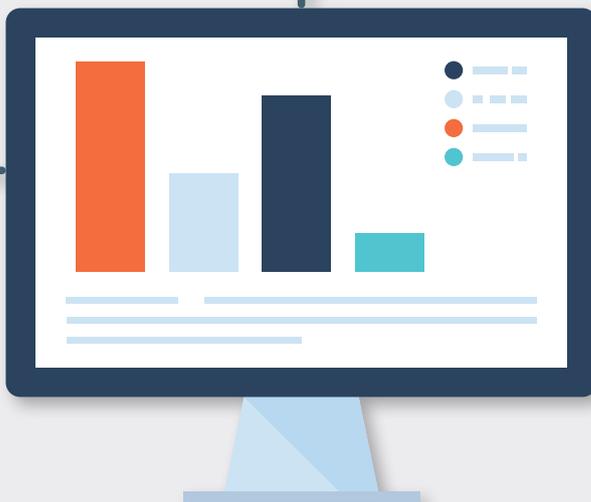
Hong Leong Finance supports Singapore's SMEs Go Digital Programme, in line with the country's Smart Nation Master Plan to enable SMEs with stronger digital capabilities. On our part, we are implementing Future-Enabled Skills Training for our staff, a new initiative to equip them with the right mindset and skills to be in line with the our wider digitalisation strategy and to ride on new opportunities in the future economy.





FINANCIAL REPORT

85	Directors' Statement
91	Independent Auditors' Report
95	Statements of Financial Position
96	Consolidated Statement of Comprehensive Income
97	Consolidated Statement of Changes in Equity
98	Statement of Changes in Equity
99	Consolidated Statement of Cash Flows
100	Notes to the Financial Statements



DIRECTOR'S STATEMENT

Year ended 31 December 2019

The directors are pleased to present their statement to the members of Hong Leong Finance Limited (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019.

In our opinion:—

- (a) the consolidated financial statements of the Group set out on pages 95 to 153 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:—

Kwek Leng Beng
Kwek Leng Peck
Kwek Leng Kee
Kevin Hangchi
Chng Beng Hua
Cheng Shao Shiong @ Bertie Cheng
Po'ad bin Shaik Abu Bakar Mattar
Ter Kim Cheu
Raymond Lim Siang Keat
Peter Chay Fook Yuen (appointed on 11 June 2019)
Tan Tee How (appointed on 11 June 2019)
Tan Siew San (appointed on 11 June 2019)

Directors' Interests

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants and/or debentures of the Company, or of its related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year. The directors consider Hong Leong Investment Holdings Pte. Ltd. ("HLIH") to be the immediate and ultimate holding company of the Company.

According to the register of directors' shareholdings kept by the Company under Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and children below 18 years of age) in shares and/or share options in the Company and in related corporations are as follows:—

DIRECTOR'S STATEMENT

Year ended 31 December 2019

**Holdings in which the director,
his spouse and children below 18 years
of age have a direct interest**

	At beginning of the year	At end of the year
--	-----------------------------	-----------------------

The Company

Shares

Kwek Leng Beng	5,603,567	6,618,607
Kwek Leng Peck	517,359	517,359
Kwek Leng Kee	1,595,079	1,595,079
Kevin Hangchi	472,109	472,109

Options to subscribe for shares under the Hong Leong Finance Share Option Scheme 2001

Kwek Leng Beng	2,255,000	1,051,960
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Immediate and Ultimate Holding Company

Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares

Kwek Leng Beng	2,320	2,320
Kwek Leng Peck	10,921	10,921
Kevin Hangchi	147	147

Related Corporations

Hong Leong Holdings Limited Ordinary Shares

Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428
Kwek Leng Kee	997,000	997,000
Kevin Hangchi	284,333	284,333

City Developments Limited Ordinary Shares

Kwek Leng Beng	397,226	397,226
Kwek Leng Peck	43,758	43,758
Kevin Hangchi	50,000	50,000

Preference Shares

Kwek Leng Beng	144,445	144,445
Kevin Hangchi	29,925	29,925

DIRECTOR'S STATEMENT

Year ended 31 December 2019

Holdings in which the director,
his spouse and children below 18 years
of age have a direct interest

	At beginning of the year	At end of the year
Related Corporations (continued)		
Hong Realty (Private) Limited Ordinary Shares		
Kwek Leng Beng	1,110	1,110
Kwek Leng Peck	150	150
Kwek Leng Kee	300	300
Kevin Hangchi	24	24
Hong Leong Asia Ltd. Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	3,826,600	3,826,600
Kwek Leng Kee	300,000	300,000
Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Peck	300,000	300,000
Millennium & Copthorne Hotels New Zealand Limited Ordinary Shares		
Kwek Leng Beng	906,000	906,000
Redeemable Non-Voting Preference Shares		
Kwek Leng Beng	453,000	453,000
Sun Yuan Holdings Pte Ltd Ordinary Shares		
Kwek Leng Beng	15,000,000	15,000,000
	Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year

Immediate and Ultimate Holding Company

Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares

Kwek Leng Beng	40,744	40,744
Kwek Leng Kee	47,019	47,019

The directors' interests in the Company as at 31 December 2019 remained unchanged as at 21 January 2020.

DIRECTOR'S STATEMENT

Year ended 31 December 2019

Except as disclosed under the section on "Share Options" in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share Options

(a) Hong Leong Finance Share Option Scheme 2001 (the "Share Option Scheme")

The Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 31 January 2001 for an initial duration of 10 years (from 31 January 2001 to 30 January 2011). At the annual general meeting of the Company held on 23 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 31 January 2011 to 30 January 2021. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

The Share Option Scheme is administered by a committee comprising the following members:-

Peter Chay Fook Yuen (Chairman)
Kwek Leng Peck
Cheng Shao Shiong @ Bertie Cheng
Ter Kim Cheu

The Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the Share Option Scheme) and/or with a discount (either up-front or a deferred discount) to the Market Price. All options granted to date under the Share Option Scheme are at Market Price and were granted to Group Employees and Parent Group Employees (both as defined in the Share Option Scheme). Subject to any applicable vesting schedule, these options may be exercised one year after the date of the grant and have a term of ten years from the date of the grant.

The aggregate number of shares in the capital of the Company ("Shares") over which options may be granted under the Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme shall not exceed 15% of the total number of issued Shares on the day preceding the relevant date of grant. The aggregate number of Shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-Executive Directors (as defined in the Share Option Scheme) collectively under the Share Option Scheme shall not exceed 20% of the total number of Shares available under the Share Option Scheme.

(b) Options granted under the Share Option Scheme

During the financial year under review, the following options were granted to Group Employees under the Share Option Scheme:-

Date of grant	Exercise period	Number of Shares under option	Subscription Price
23.9.2019	23.9.2020 to 22.9.2029	3,269,000 (net of options not accepted)	\$2.62

DIRECTOR'S STATEMENT

Year ended 31 December 2019

- (i) Included in the above are options granted to an Executive Director of the Company, details of which are as follows:-

Name of Director	Shares under option granted during financial year under review	Aggregate Shares under option granted since commencement of Share Option Scheme to end of financial year under review	Aggregate Shares under option exercised since commencement of Share Option Scheme to end of financial year under review	Aggregate Shares under option lapsed since commencement of Share Option Scheme to end of financial year under review	Aggregate Shares under option outstanding as at end of financial year under review
Kwek Leng Beng	172,000	5,227,000	2,015,040	2,160,000	1,051,960

- (ii) None of the participants were regarded by the Directors as controlling shareholders of the Company.
- (iii) None of the other participants were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme.
- (iv) None of the Parent Group Employees were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme to all Parent Group Employees and Parent Group Non-Executive Directors. A total of 250,000 Shares under option were granted to Parent Group Employees since the commencement of the Share Option Scheme to the end of the financial year under review.
- (v) Except for options granted to persons in their capacity as Group Employees and/or Parent Group Employees, no other options have been granted by the Company to any other categories of persons since the commencement of the Share Option Scheme.
- (vi) The options granted to certain participants of executive rank (including those granted to an Executive Director of the Company) since the commencement of the Share Option Scheme are subject to a vesting schedule as follows:-
- (1) one year after the date of grant for up to 33% of the Shares over which the options are exercisable;
 - (2) two years after the date of grant for up to 66% (including (1) above) of the Shares over which the options are exercisable; and
 - (3) three years after the date of grant for up to 100% (including (1) and (2) above) of the Shares over which the options are exercisable.
- (vii) The persons to whom options have been granted do not have any right to participate by virtue of these options in any share issue of any other company.

(c) Unissued Shares under option

There were a total of 15,075,650 unissued Shares under option granted pursuant to the Share Option Scheme at the end of the financial year. Details of the options to subscribe for Shares (including those granted to an Executive Director) are as disclosed in the accompanying financial statements.

Except as disclosed above and in the accompanying financial statements, during the financial year, there were:-

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued Shares of the Company or its subsidiaries; and
- (ii) no Shares issued by virtue of any exercise of options to take up unissued Shares of the Company or its subsidiaries.

DIRECTOR'S STATEMENT

Year ended 31 December 2019

Audit Committee

The Audit Committee comprises three independent non-executive members of the Board of Directors:-

Po'ad bin Shaik Abu Bakar Mattar (Chairman)
Ter Kim Cheu
Tan Tee How

The Audit Committee performed its functions in accordance with its terms of reference which include those specified in the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual") and the Code of Corporate Governance 2018.

In the performance of its functions, the Audit Committee met with the Company's internal and external auditors, and reviewed their audit plans as well as the scope and results of their examination and their evaluation of the Company's system of internal controls.

The Audit Committee also reviewed, *inter-alia*, the following:-

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly and annual financial statements of the Group and of the Company prior to their submission to the directors of the Company for approval; and
- the nature and level of audit and non-audit fees of the external auditors.

The Audit Committee has full access to management and is given the resources required by it to discharge its functions. It has full authority and the discretion to invite any director or executive officer or third-party advisor to attend its meetings.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company subject to the approval of the Monetary Authority of Singapore.

In appointing the auditors for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kwek Leng Beng
Director

Po'ad bin Shaik Abu Bakar Mattar
Director

Singapore

27 February 2020

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hong Leong Finance Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 95 to 153.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans, advances and receivables

(Refer to Note 11 in the financial statements)

The key audit matter

The Group's loans, advances and receivables to customers represent 80% of its total assets.

SFRS(I) 9 "Financial Instruments" requires the Group to determine the probability weighted estimate of the expected credit loss ("ECL") of loans, advances and receivables to customers.

The Group has developed models to calculate the ECL allowances for non credit-impaired exposures. Significant judgement and assumptions are required in the development of the model parameters, including the probability of default, loss given default and exposure at default.

The ECL allowances for credit-impaired exposures is highly subjective due to the judgement applied by management in estimating the future cash flows, including the realisable value of collaterals, if relevant, and consequently the ECL allowances required.

Given the magnitude of loans, advances and receivables and coupled with the estimation uncertainty over ECL allowances, the impairment of loans, advances and receivables is considered a key audit risk.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

How the matter was addressed in our audit

We tested the design, implementation and operating effectiveness of the key controls in place over the credit approval and review process. We performed sample checks of credit reviews on loans and advances to critically assess the appropriateness of the credit grading and any objective evidence of impairment.

In respect of non credit-impaired exposures, we assessed the appropriateness of the model methodology and parameters for compliance with SFRS(I) 9 requirements. We tested the accuracy and integrity of the inputs used to compute the ECL allowances. For a sample of non credit-impaired exposures, we re-calculated the ECL allowance using the modelled attributes to test the mathematical accuracy of the calculations produced by the ECL model.

In respect of credit-impaired exposures, we assessed the controls over the determination of ECL allowances for credit-impaired exposures. For a sample of credit-impaired exposures, we critically assessed the expected recoveries from realisable values of collaterals and other possible sources of repayment. This includes checking the valuation of collaterals, where possible, to externally derived evidence, such as real estate valuations.

We found that the methodology and management's assumptions used in the ECL model were appropriate and the ECL allowances computation was consistent with the ECL model.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the analysis of shareholdings ("the Report") which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ian Hong Cho Hor.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

27 February 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group		Company	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Number of shares in issue	4	447,526,473	445,818,433	447,526,473	445,818,433
		\$'000	\$'000	\$'000	\$'000
Share capital	4	889,051	884,440	889,051	884,440
Reserves	4	749,914	726,600	749,914	726,600
Accumulated profits		275,278	263,311	271,899	260,020
Equity attributable to owners of the Company		1,914,243	1,874,351	1,910,864	1,871,060
Liabilities					
Deposits and balances of customers	6	12,307,049	11,337,820	12,311,282	11,341,986
Trade and other payables	7	215,866	129,822	214,549	128,507
Current tax payable		21,828	37,112	21,823	37,108
Deferred tax liabilities	8	1,794	2,150	1,794	2,150
Total liabilities		12,546,537	11,506,904	12,549,448	11,509,751
Total equity and liabilities		14,460,780	13,381,255	14,460,312	13,380,811
Assets					
Cash at banks and in hand	9	947,430	1,442,327	946,428	1,441,349
Statutory deposit with the Monetary Authority of Singapore	9	338,393	297,645	338,393	297,645
Singapore Government debt securities and MAS bills	10	1,531,763	1,322,326	1,531,763	1,322,326
Loans, advances and receivables	11	11,554,302	10,277,663	11,554,302	10,277,663
Other receivables, deposits and prepayments	12	22,160	21,218	22,159	21,217
Subsidiaries	13	–	–	535	535
Investments (long-term)	14	–	–	–	–
Property, plant and equipment	15	66,732	20,076	66,732	20,076
Total assets		14,460,780	13,381,255	14,460,312	13,380,811
Acceptances, guarantees and other obligations on behalf of customers	16	3,804	5,526	3,804	5,526

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

		Group	
	Note	2019 \$'000	2018 \$'000
Profit and loss account:			
Interest on loans		292,664	259,537
Hiring charges		57,200	53,247
Other interest income		46,492	37,158
Interest income/hiring charges		<u>396,356</u>	<u>349,942</u>
Less: Interest expense		<u>194,652</u>	<u>137,823</u>
Net interest income/hiring charges	17	201,704	212,119
Fee and commission income	18	13,714	15,337
Other operating income	19	324	614
Income before operating expenses		<u>215,742</u>	<u>228,070</u>
Less: Staff costs	20	67,675	66,933
Depreciation of property, plant and equipment	15	8,071	1,955
Other operating expenses	21	<u>14,460</u>	<u>19,321</u>
Profit from operations before allowances		125,536	139,861
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts and other financial assets	9, 11	<u>(1,578)</u>	<u>2,276</u>
Profit before income tax		123,958	142,137
Less: Income tax expense	22	<u>20,873</u>	<u>23,794</u>
Profit for the year/Comprehensive income attributable to owners of the Company		<u>103,085</u>	<u>118,343</u>
Earnings per share (cents)			
Basic	23	<u>23.09</u>	<u>26.56</u>
Diluted		<u>23.05</u>	<u>26.52</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Regulatory loss allowance reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Group							
At 1 January 2018	882,829	673,408	2,307	5,554	16,932	235,601	1,816,631
Issue of shares under share option scheme	1,490						1,490
Value of employee services received for issue of share options				286			286
Value of employee services transferred for share options exercised or lapsed	121			(1,085)		964	–
Final dividend of 9 cents per share (tax exempt one-tier) paid in respect of year 2017						(40,110)	(40,110)
Interim dividend of 5 cents per share (tax exempt one-tier) paid in respect of year 2018						(22,289)	(22,289)
Adjustment under MAS 811					(388)	388	–
Comprehensive income for the year						118,343	118,343
Transfer to Statutory reserve		29,586				(29,586)	–
At 31 December 2018	884,440	702,994	2,307	4,755	16,544	263,311	1,874,351
At 1 January 2019, as previously stated	884,440	702,994	2,307	4,755	16,544	263,311	1,874,351
Effect of initial adoption of SFRS(I) 16 (net of tax)						(653)	(653)
At 1 January 2019, as restated	884,440	702,994	2,307	4,755	16,544	262,658	1,873,698
Issue of shares under share option scheme	4,137						4,137
Value of employee services received for issue of share options				277			277
Value of employee services transferred for share options exercised or lapsed	474			(1,753)		1,279	–
Final dividend of 10 cents per share (tax exempt one-tier) paid in respect of year 2018						(44,630)	(44,630)
Interim dividend of 5 cents per share (tax exempt one-tier) paid in respect of year 2019						(22,324)	(22,324)
Adjustment under MAS 811					(982)	982	–
Comprehensive income for the year						103,085	103,085
Transfer to Statutory reserve		25,772				(25,772)	–
At 31 December 2019	889,051	728,766	2,307	3,279	15,562	275,278	1,914,243

The statutory reserve is maintained in compliance with the provisions of Section 18 of the Finance Companies Act, Chapter 108.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Regulatory loss allowance reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Company							
At 1 January 2018	882,829	673,408	2,307	5,554	16,932	232,387	1,813,417
Issue of shares under share option scheme	1,490						1,490
Value of employee services received for issue of share options				286			286
Value of employee services transferred for share options exercised or lapsed	121			(1,085)		964	–
Final dividend of 9 cents per share (tax exempt one-tier) paid in respect of year 2017						(40,110)	(40,110)
Interim dividend of 5 cents per share (tax exempt one-tier) paid in respect of year 2018						(22,289)	(22,289)
Adjustment under MAS 811					(388)	388	–
Comprehensive income for the year						118,266	118,266
Transfer to Statutory reserve		29,586				(29,586)	–
At 31 December 2018	<u>884,440</u>	<u>702,994</u>	<u>2,307</u>	<u>4,755</u>	<u>16,544</u>	<u>260,020</u>	<u>1,871,060</u>
At 1 January 2019, as previously stated	884,440	702,994	2,307	4,755	16,544	260,020	1,871,060
Effect of initial adoption of SFRS(I) 16 (net of tax)						(653)	(653)
At 1 January 2019, as restated	884,440	702,994	2,307	4,755	16,544	259,367	1,870,407
Issue of shares under share option scheme	4,137						4,137
Value of employee services received for issue of share options				277			277
Value of employee services transferred for share options exercised or lapsed	474			(1,753)		1,279	–
Final dividend of 10 cents per share (tax exempt one-tier) paid in respect of year 2018						(44,630)	(44,630)
Interim dividend of 5 cents per share (tax exempt one-tier) paid in respect of year 2019						(22,324)	(22,324)
Adjustment under MAS 811					(982)	982	–
Comprehensive income for the year						102,997	102,997
Transfer to Statutory reserve		25,772				(25,772)	–
At 31 December 2019	<u>889,051</u>	<u>728,766</u>	<u>2,307</u>	<u>3,279</u>	<u>15,562</u>	<u>271,899</u>	<u>1,910,864</u>

The statutory reserve is maintained in compliance with the provisions of Section 18 of the Finance Companies Act, Chapter 108.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Operating activities			
Profit for the year		103,085	118,343
Adjustments for:–			
Impact of accrual of interest income		200	(466)
Impact of accrual of interest expense		45,495	13,005
Allowances for doubtful debts		2,811	7,373
Interest expense on lease liabilities		776	–
Depreciation of property, plant and equipment		8,071	1,955
Gain on disposal of property, plant and equipment		(62)	(296)
Gain on liquidation of investments (long-term)		–	(106)
Value of employee services received for issue of share options		277	286
Income tax expense	22	20,873	23,794
		181,526	163,888
Changes in working capital:–			
Loans, advances and receivables		(1,279,450)	(318,501)
Other receivables, deposits and prepayments		(1,142)	478
Singapore Government debt securities and MAS Bills		(209,437)	(73,476)
Deposits and balances of customers		969,229	678,970
Trade and other payables		(4,286)	(6,879)
Cash generated from/(used in) operations		(343,560)	444,480
Income taxes paid		(36,379)	(17,643)
Cash flows from/(used in) operating activities		(379,939)	426,837
Investing activities			
Purchase of property, plant and equipment		(4,775)	(742)
Proceeds from disposal of property, plant and equipment		71	331
Proceeds from liquidation of investments (long-term)	14	–	106
Cash flows used in investing activities		(4,704)	(305)
Financing activities			
Payment for lease liabilities		(6,689)	–
Proceeds from exercise of share options		4,137	1,490
Dividends paid		(66,954)	(62,399)
Cash flows used in financing activities		(69,506)	(60,909)
Net increase/(decrease) in cash and cash equivalents		(454,149)	365,623
Cash and cash equivalents at beginning of year		1,739,972	1,374,349
Cash and cash equivalents at end of year	9	1,285,823	1,739,972

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 27 February 2020.

1. Domicile and Activities

Hong Leong Finance Limited (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 16 Raffles Quay #01-05 Hong Leong Building, Singapore 048581.

The directors consider Hong Leong Investment Holdings Pte. Ltd., a company incorporated in the Republic of Singapore, to be the immediate and ultimate holding company of the Company.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 relate to the Company and its subsidiaries (together referred to as the "Group").

The principal activities of the Company are those relating to financing business and provision of corporate advisory services. The principal activities of the subsidiaries are the provision of nominee services.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. The related changes to significant accounting policies are described in note 2(e).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

(c) Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 3(f) Impairment and Note 24, Financial Risk Management.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. Basis of Preparation (continued)

(e) Changes in accounting policies

The Group has applied the SFRS(I) 16 Leases for the first time for the annual period beginning on 1 January 2019.

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases properties and motor vehicles. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-leases components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. Basis of Preparation (continued)

(e) Changes in accounting policies (continued)

Impact on financial statements

Impact on transition

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and lease liabilities, recognising the difference in accumulated profits. The impact on transition is summarised below.

	1 January 2019 \$'000
Right-of-use assets – property, plant and equipment	39,916
Deferred tax asset	134
Lease liabilities	(40,703)
Accumulated profits	<u>653</u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted-average rate applied is 1.3%.

	1 January 2019 \$'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	<u>19,169</u>
Discounted using the incremental borrowing rate at 1 January 2019	18,837
Extension options reasonably certain to be exercised	<u>21,866</u>
Lease liabilities recognised at 1 January 2019	<u>40,703</u>

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2(e), which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to Singapore dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(b) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the foreign currency differences arising from the translation of qualifying cash flow hedges to the extent the hedge is effective are recognised in other comprehensive income.

(c) Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss ("FVTPL")) and financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financial component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such upon initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less any directly attributable transaction cost. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise deposits and balances of customers, borrowings (if any) and trade and other payables. Deposits and borrowings are the Group's sources of debt funding.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(vi) Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(vii) Financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Loss allowances for ECLs for financial guarantees issued, if any, are presented in the Group's statement of financial position under 'Loans, advances and receivables'.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self-constructed assets includes cost of materials and direct labour, other costs directly attributable to bringing the assets to a working condition for their intended use, estimated reinstatement costs when the Group has an obligation to remove the asset or restore the site and capitalised borrowing costs. Property, plant and equipment acquired through finance leases are carried at cost, less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The carrying amounts of material land and properties are reviewed annually to determine whether they are in excess of their recoverable amounts at the reporting date. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower value.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, in which case, the leased assets are depreciated over their estimated useful lives. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives (or lease term where shorter) for the current and comparative years are as follows:–

Properties other than freehold land	23 to 50 years
Office equipment, fixtures and fittings	3 to 5 years
Computer equipment	3 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(e) Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(e) Leases (continued)

(i) As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in trade and other payables in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(e) Leases (continued)

(i) As a lessee (continued)

Leases – Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(f) Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loans, advances and receivables

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(f) Impairment (continued)

(i) Non-derivative financial assets (continued)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers loans, advances and receivables to be in default if they are classified as non-performing loans.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full; or
- the financial asset is more than 90 days past due.

Other financial assets

The Group considers financial guarantee ("FG") contracts to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Group in full. The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The Group considers Singapore Government securities and bank deposits to have low credit risk when their credit risk rating is equivalent to "investment grade" assigned by internationally recognised external credit rating agencies.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

The 3 main components used to measure ECLs are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

The components are generally derived from internally developed statistical models using historical data, adjusted for forward-looking information.

Probability of default

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instruments, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

The PD is derived using historical default rates adjusted for forward-looking information and reflecting current portfolio composition and market data.

For portfolios without sufficient default data, forward-looking proxy PDs from external credit agencies are used.

Loss given default

LGD is the percentage of exposure the Group might lose in the event the borrower defaults. The Group adopts three approaches for LGD:-

- Historical write-off;
- Collateral hair-cut; and
- Proxy LGD.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(f) Impairment (continued)

(i) Non-derivative financial assets (continued)

Historical write-off is calculated for portfolios with sufficient default data. For portfolio without sufficient default data, collateral hair-cut approach or Proxy LGD is used.

Exposure at default

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

To compute the final ECL, the Group applies forward-looking adjustments and management overlay, taking into account past events, current conditions and future macroeconomic conditions. Forward-looking scenario that takes into account stressed economic condition is incorporated.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Loss allowances for FG are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FG less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

When share options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital and the grant date fair value is transferred from share option reserve to share capital. The grant date fair value of share options that lapse or expire is transferred from share option reserve to accumulated profits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(g) Employee benefits (continued)

(iii) Share-based payment transactions (continued)

The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the options (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions determined for the long term are arrived at after discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability with the unwinding of the discount subsequently recognised as finance cost.

(i) Recognition of income and expense

(i) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently unless contractually adjusted.

The calculation of the effective interest rate includes fees, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis and gains and losses on hedging instruments that are recognised in profit or loss.

Where charges are added to the principal financed at the commencement of the period, the general principle adopted for crediting income to profit or loss is to spread the income over the period in which the repayments are due using the following bases for the various categories of financing business:—

Income earned on hire purchase and leasing

Term charges on hire purchase and leasing transactions are accounted for using the Rule of 78 (sum of digits) method. The balance of such term charges at the financial year end is carried forward as unearned charges.

Income earned on loans

Interest is charged on either an annual rest, monthly rest or daily basis and credited to profit or loss in the period to which it relates.

Income earned on trade finance and factoring accounts

Interest is charged principally on a monthly rest basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(i) Recognition of income and expense (continued)

(i) Interest (continued)

Income from debt securities

Interest income from debt securities with a fixed maturity is recognised as it accrues.

Income from bank deposits

Interest income from bank deposits is accrued on a time-apportioned basis.

Expense on deposits and balances of customers and interest-bearing borrowings

Interest expense is accrued on a time-apportioned basis.

(ii) Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fee and commission income are recognised as the related services are performed.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(iv) Offsetting

Gains and losses arising from a group of similar transactions are presented on a net basis.

(j) Government grants

Cash grants received from the government are recognised as an offset against the related costs.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:–

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant Accounting Policies (continued)

(k) Income tax (continued)

Current tax assets and liabilities are offset only if certain criteria are met.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(l) Earnings per share

The Group presents basic and diluted earnings per share data for its shares. Basic earnings per share is calculated by dividing the profit or loss after tax attributable to owners of the Company by the weighted average number of shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss after tax attributable to owners and the weighted average number of shares outstanding for the effects of all dilutive potential shares, which comprise shares under option granted to employees.

(m) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group operates in only one segment. Its activities relate to financing business augmented by secondary non-lending activities such as provision of corporate advisory services and provision of nominee services. All activities are carried out in the Republic of Singapore. Revenue in respect of these activities is presented in Notes 17 and 18.

(n) New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The new standards, interpretations and amendments to standards are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

4. Capital and Reserves

Share capital

	Note	2019 Number of shares	Company 2018 Number of shares
Fully paid shares, with no par value:-			
At 1 January		445,818,433	445,173,033
Issue of shares under share option scheme	5	1,708,040	645,400
At 31 December		447,526,473	445,818,433

In 2019, pursuant to the Hong Leong Finance Share Option Scheme 2001 ("Share Option Scheme"), the Company issued new shares fully paid in cash as follows:-

Exercise price	2019 Number of shares	Company 2018 Number of shares
\$2.74	120,000	-
\$2.28	425,500	141,400
\$2.45	329,500	58,000
\$2.56	233,000	34,500
\$2.66	72,000	10,500
\$2.34	268,500	134,000
\$2.23	165,540	267,000
\$2.61	74,500	-
\$2.58	19,500	-
	1,708,040	645,400

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Reserves

	Group and Company	
	2019 \$'000	2018 \$'000
Statutory reserve	728,766	702,994
Capital reserve	2,307	2,307
Share option reserve	3,279	4,755
Regulatory loss allowance reserve	15,562	16,544
	749,914	726,600

The statutory reserve is maintained in compliance with the provisions of Section 18 of the Finance Companies Act, Chapter 108.

The capital reserve comprises premium on issue of bonds with warrants and surplus on liquidation of subsidiaries.

The share option reserve comprises the cumulative value of employee services received for the issue of share options net of transfers of the grant date fair value of share options to share capital and accumulated profits upon the exercise and lapse/expiry of share options respectively.

The regulatory loss allowance reserve is maintained in compliance with Monetary Authority of Singapore Notice 811 to maintain additional loss allowance through an appropriation of its accumulated profits when the Accounting Loss Allowance under SFRS(I) 9 falls below the Minimum Regulatory Allowance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

4. Capital and Reserves (continued)

Details of movements in reserves are shown in the consolidated statement of changes in equity and statement of changes in equity.

Dividends

After the reporting date, the Directors proposed a final dividend of 10 cents per share, tax exempt one-tier, amounting to \$44,753,000 (2018: 10 cents per share, tax exempt one-tier, amounting to \$44,630,000) when estimated based on the number of shares in issue as at the reporting date. The dividend has not been recognised in the financial statements. The proposed final dividend is in addition to an interim dividend of 5 cents per share, tax exempt one-tier, amounting to \$22,324,000 (2018: 5 cents per share, tax exempt one-tier, amounting to \$22,289,000) paid on 11 September 2019 (2018: 12 September 2018).

5. Employee Share Options

The Share Option Scheme was approved and adopted by members at an Extraordinary General Meeting held on 31 January 2001 for an initial duration of 10 years (from 31 January 2001 to 30 January 2011). At the Annual General Meeting of the Company held on 23 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 31 January 2011 to 30 January 2021. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged. The Share Option Scheme is administered by the Company's Share Option Scheme Committee which comprised the following directors as at 31 December 2019:–

Peter Chay Fook Yuen (Chairman)
Kwek Leng Peck
Cheng Shao Shiong @ Bertie Cheng
Ter Kim Cheu

Information regarding the Share Option Scheme is as follows:–

- (a) The subscription price for each share under option is fixed by the Share Option Scheme Committee and to date has been at a price equal to the average of the last dealt prices for one share in the capital of the Company, as determined by reference to the daily official list made available by the Singapore Exchange Securities Trading Limited, for the 3 consecutive trading days immediately preceding the date of grant, subject to the rules of the Share Option Scheme.
- (b) Each option is exercisable, in whole or in part, during the option period applicable to that option subject to any conditions, including a vesting schedule, that may be imposed by the Share Option Scheme Committee in relation to any shares comprised in that option.
- (c) All options are settled by delivery of shares upon receipt of the exercise price in cash.
- (d) The options granted to Group Employees and Parent Group Employees expire 10 years from the date of grant. The options granted to Non-Group Employees expire 5 years from the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Employee Share Options (continued)

Movements in the number of share options and their related weighted average exercise prices are as follows:–

	Weighted average exercise price 2019 \$	Number of options 2019 '000	Weighted average exercise price 2018 \$	Number of options 2018 '000
At 1 January	2.62	16,187	2.68	17,904
Granted	2.62	3,488	2.58	2,513
Not accepted	2.62	(219)	2.58	(106)
Lapsed	2.74	(2,672)	2.96	(3,478)
Exercised	2.42	(1,708)	2.31	(646)
At 31 December	2.62	15,076	2.62	16,187
Exercisable at 31 December	2.62	11,405	2.63	13,458

The options outstanding at 31 December 2019 have an exercise price in the range of \$2.23 to \$3.10 (2018: \$2.23 to \$3.10) and a weighted average remaining contractual life of 5.8 years (2018: 5.0 years).

The weighted average share price at the date of exercise for share options exercised in 2019 was \$2.42 (2018: \$2.31).

The fair value of services received in return for share options granted is measured based on the grant date fair value of share options. The grant date fair value of the share options is measured using a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is estimated by considering historic average share price volatility.

There are no market and non-market performance conditions associated with the share option grants. Service conditions are not taken into account in the measurement of fair value of the services to be received at the grant date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Employee Share Options (continued)

The inputs used in the measurement of the fair values at grant date of the share options are as follows:–

Fair value of share options and assumptions

Date of grant of options	29.9.2009	28.9.2010	29.9.2011	14.9.2012	25.9.2013	25.9.2014	23.9.2015	23.9.2016	21.9.2017	25.9.2018	23.9.2019
Fair value at grant date	\$0.53	\$0.49	\$0.28	\$0.31	\$0.36	\$0.29	\$0.17	\$0.13	\$0.20	\$0.11	\$0.08
Share price	\$2.76	\$3.09	\$2.29	\$2.45	\$2.60	\$2.67	\$2.30	\$2.22	\$2.60	\$2.58	\$2.60
Exercise price	\$2.74	\$3.10	\$2.28	\$2.45	\$2.56	\$2.66	\$2.34	\$2.23	\$2.61	\$2.58	\$2.62
Expected volatility	28.3%	28.1%	27.2%	26.7%	25.7%	20.5%	15.0%	14.8%	14.8%	13.1%	12.9%
Expected option life	4.2 to 10 years	4.4 to 10 years	4.9 to 10 years	5.5 to 10 years	5.6 to 10 years	5.8 to 10 years	5.9 to 10 years	6.0 to 10 years	5.9 to 10 years	5.9 to 10 years	5.9 to 10 years
Expected dividend yield	2.9%	3.9%	5.2%	4.9%	4.6%	4.5%	4.4%	4.5%	3.9%	5.4%	5.8%
Risk-free interest rate (based on government bonds)	1.2 to 2.5%	0.8 to 2.0%	0.5 to 1.7%	0.5 to 1.5%	1.1 to 2.4%	1.7 to 2.5%	2.3 to 2.7%	1.4 to 1.8%	1.7 to 2.1%	2.4 to 2.6%	1.6 to 1.7%

Employee expenses:–

	2019 \$'000	2018 \$'000
Share options granted in		
2015	–	11
2016	6	17
2017	19	191
2018	188	67
2019	64	–
Total expense recognised as employee costs	277	286

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Employee Share Options (continued)

Details of the options granted under the Share Option Scheme on unissued shares of the Company at the end of the year are as follows:–

	(1)	(2)	(3)	(4)	(5)	(6)
Date of grant of options	29.9.2009	28.9.2010	29.9.2011	14.9.2012	25.9.2013	25.9.2014
Expiry date	28.9.2019	27.9.2020	28.9.2021	13.9.2022	24.9.2023	24.9.2024
Exercise price	\$2.74	\$3.10	\$2.28	\$2.45	\$2.56	\$2.66
Number of options outstanding at 1.1.2019	2,076,500	2,565,400	1,144,490	1,542,500	1,400,500	1,586,500
Options lapsed	1,956,500	236,700	–	38,500	99,000	129,000
Options exercised (1.1.2019 to 31.12.2019)	120,000	–	425,500	329,500	233,000	72,000
Number of options outstanding at 31.12.2019	–	2,328,700	718,990	1,174,500	1,068,500	1,385,500
Number of options exercisable at 1.1.2019	2,076,500	2,565,400	1,144,490	1,542,500	1,400,500	1,586,500
Number of options exercisable at 31.12.2019	–	2,328,700	718,990	1,174,500	1,068,500	1,385,500
Option exercise period of options outstanding at 31.12.2019						
28.9.2011 to 27.9.2020	vested on 28.9.2011	1,778,630				
	vested on 28.9.2012	270,930				
	vested on 28.9.2013	279,140				
29.9.2012 to 28.9.2021	vested on 29.9.2012		542,780			
	vested on 29.9.2013		86,790			
	vested on 29.9.2014		89,420			
14.9.2013 to 13.9.2022	vested on 14.9.2013			962,780		
	vested on 14.9.2014			104,280		
	vested on 14.9.2015			107,440		
25.9.2014 to 24.9.2023	vested on 25.9.2014				939,860	
	vested on 25.9.2015				63,360	
	vested on 25.9.2016				65,280	
25.9.2015 to 24.9.2024	vested on 25.9.2015					1,126,880
	vested on 25.9.2016					127,380
	vested on 25.9.2017					131,240
	(7)	(8)	(9)	(10)	(11)	
Date of grant of options	23.9.2015	23.9.2016	21.9.2017	25.9.2018	23.9.2019	
Expiry date	22.9.2025	22.9.2026	20.9.2027	24.9.2028	22.9.2029	
Exercise price	\$2.34	\$2.23	\$2.61	\$2.58	\$2.62	
Number of options outstanding at 1.1.2019	1,052,510	1,079,555	1,342,000	2,397,500	–	
Options granted	–	–	–	–	3,488,000	
Options not accepted	–	–	–	–	219,000	
Options lapsed	11,510	18,555	58,500	109,500	15,000	
Options exercised (1.1.2019 to 31.12.2019)	268,500	165,540	74,500	19,500	–	
Number of options outstanding at 31.12.2019	772,500	895,460	1,209,000	2,268,500	3,254,000	
Number of options exercisable at 1.1.2019	1,052,510	952,905	1,136,980	–	–	
Number of options exercisable at 31.12.2019	772,500	895,460	1,104,960	1,955,945	–	
Option exercise period of options outstanding at 31.12.2019						
23.9.2016 to 22.9.2025	vested on 23.9.2016	653,180				
	vested on 23.9.2017	48,970				
	vested on 23.9.2018	70,350				
23.9.2017 to 22.9.2026	vested on 23.9.2017		693,405			
	vested on 23.9.2018		75,405			
	vested on 23.9.2019		126,650			
21.9.2018 to 20.9.2027	vested on 21.9.2018		1,003,980			
	vested on 21.9.2019		100,980			
	vesting on 21.9.2020		104,040			
25.9.2019 to 24.9.2028	vested on 25.9.2019			1,955,945		
	vesting on 25.9.2020			153,945		
	vesting on 25.9.2021			158,610		
23.9.2020 to 22.9.2029	vesting on 23.9.2020				2,828,550	
	vesting on 23.9.2021				209,550	
	vesting on 23.9.2022				215,900	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

6. Deposits and Balances of Customers

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Fixed deposits	12,077,180	11,101,716	12,081,413	11,105,882
Savings deposits and other balances of customers	215,653	217,278	215,653	217,278
Current accounts and other deposits	14,216	18,826	14,216	18,826
Total deposits and balances of customers	12,307,049	11,337,820	12,311,282	11,341,986

7. Trade and Other Payables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Due after 12 months				
Amount due to Enterprise Singapore	2,740	3,619	2,740	3,619
Lease liabilities	38,835	–	38,835	–
	41,575	3,619	41,575	3,619
Due within 12 months				
Amount due to Enterprise Singapore	2,434	2,711	2,434	2,711
Interest payable	132,551	87,056	132,575	87,077
Other trade payables and accrued operating expenses	31,661	34,793	30,417	33,554
Other payables	1,645	1,643	1,548	1,546
Lease liabilities	6,000	–	6,000	–
	174,291	126,203	172,974	124,888
Total trade and other payables	215,866	129,822	214,549	128,507

Amount due to Enterprise Singapore represents unsecured advances from Enterprise Singapore under the Local Enterprise Finance Scheme ("LEFS") and Extended Local Enterprise Finance Scheme ("ELEFS") to finance LEFS and ELEFS borrowers. The interest rates and repayment periods vary in accordance with the type, purpose and security of the facilities granted under these schemes. Credit risks are shared with Enterprise Singapore.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

8. Deferred Tax

Movements in deferred tax assets and liabilities during the year are as follows:–

	Group and Company						
	At	Recognised	At		At	Recognised	At
	1 January	in profit	31 December	SFRS(I) 16	1 January	in profit	31 December
2018	or loss	2018	(Note 2(e))	2019	or loss	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities/(assets)							
Trade and other payables	(207)	17	(190)	–	(190)	–	(190)
Loans, advances and receivables	2,258	(66)	2,192	–	2,192	(168)	2,024
Property, plant and equipment	272	(141)	131	(134)	(3)	(38)	(41)
Other items	28	(11)	17	–	17	(16)	1
Net deferred tax liabilities/(assets)	2,351	(201)	2,150	(134)	2,016	(222)	1,794

Deferred tax assets relate primarily to timing differences in respect of provisions and loss allowances for doubtful debts expected to be realisable at a future date. Deferred tax liabilities relate primarily to differences arising between capital allowances granted and accumulated depreciation in respect of capital expenditure and other timing issues.

9. Cash and Cash Equivalents

	Group	
	2019	2018
	\$'000	\$'000
Cash at banks and in hand	947,497	1,442,353
Less: Loss allowances		
At 1 January	26	26
Allowances made during the year	41	–
At 31 December	67	26
Cash at banks and in hand, net	947,430	1,442,327
Statutory deposit with the Monetary Authority of Singapore	338,393	297,645
Cash and cash equivalents in the consolidated statement of cash flows	1,285,823	1,739,972

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10. Singapore Government Debt Securities and MAS Bills

	Group and Company	
	2019	2018
	\$'000	\$'000
Singapore Government debt securities and MAS Bills		
– Within 12 months	831,019	271,001
– After 12 months	700,744	1,051,325
	<u>1,531,763</u>	<u>1,322,326</u>
Market value	<u>1,538,664</u>	<u>1,320,898</u>

Singapore Government debt securities and MAS bills are classified at amortised cost.

11. Loans, Advances and Receivables

	Group and Company	
	2019	2018
	\$'000	\$'000
(a) Loans, advances and receivables at amortised cost		
Due after 12 months		
Loans, advances and hire purchase receivables	9,188,873	8,087,884
Less: Unearned charges and interest	70,882	70,319
	<u>9,117,991</u>	<u>8,017,565</u>
Less: Allowances for doubtful debts		
– Loans and advances	11,863	11,773
– Hire purchase receivables	3,204	2,938
	<u>15,067</u>	<u>14,711</u>
	9,102,924	8,002,854
Due within 12 months		
Loans, advances, factoring receivables and hire purchase receivables	2,505,017	2,327,385
Less: Unearned charges and interest	49,384	48,243
	<u>2,455,633</u>	<u>2,279,142</u>
Less: Allowances for doubtful debts		
– Loans, advances and factoring receivables	2,914	3,026
– Hire purchase receivables	1,341	1,307
	<u>4,255</u>	<u>4,333</u>
	2,451,378	2,274,809
Total loans, advances and receivables	<u>11,554,302</u>	<u>10,277,663</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

11. Loans, Advances and Receivables (continued)

	Group and Company	
	2019	2018
	\$'000	\$'000
(b) Allowances for doubtful debts		
Stage 3 loss allowances		
At 1 January	7,717	12,862
Net allowances made during the year	1,378	5,864
Receivables written off against allowances	(2,533)	(11,009)
At 31 December	<u>6,562</u>	<u>7,717</u>
Stages 1 & 2 loss allowances		
At 1 January	11,327	9,818
Net allowances made during the year	1,433	1,509
At 31 December	<u>12,760</u>	<u>11,327</u>
Total allowances for doubtful debts	<u>19,322</u>	<u>19,044</u>

In addition to the above, included in (allowances for)/reversal or recovery of doubtful debts and other financial assets are net recoveries of bad debts amounting to \$1,274,000 (2018: \$9,649,000), as recorded in the Consolidated Statement of Comprehensive Income.

(c) Hire purchase receivables are categorised as follows:-

	Group and Company					
	← 2019 →			← 2018 →		
	Receivables \$'000	Interest \$'000	Principal \$'000	Receivables \$'000	Interest \$'000	Principal \$'000
Due within 1 year	568,546	47,780	520,766	563,851	46,537	517,314
Due after 1 year but within 5 years	1,222,168	68,860	1,153,308	1,137,292	67,748	1,069,544
Due after 5 years	92,646	1,743	90,903	96,168	2,110	94,058
Total	<u>1,883,360</u>	<u>118,383</u>	<u>1,764,977</u>	<u>1,797,311</u>	<u>116,395</u>	<u>1,680,916</u>

The Company's leasing arrangements comprise hire purchase contracts mainly for motor vehicles and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

12. Other Receivables, Deposits and Prepayments

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interest receivables	10,358	10,558	10,358	10,558
Deposits	1,855	1,807	1,855	1,807
Prepayments	1,559	1,273	1,558	1,272
Other receivables	8,388	7,580	8,388	7,580
Total	22,160	21,218	22,159	21,217

13. Subsidiaries

	Company	
	2019 \$'000	2018 \$'000
Unquoted equity investments, at cost	535	535

Details of the subsidiaries are as follows:-

Name of Subsidiary	Principal place of business / Country of incorporation	Effective equity held by the Group	
		2019 %	2018 %
Hong Leong Finance Nominees Pte Ltd	Singapore	100	100
Singapore Nominees Private Limited	Singapore	100	100

KPMG LLP Singapore is the auditor of the subsidiaries.

14. Investments (long-term)

	Group and Company	
	2019 \$'000	2018 \$'000
Unquoted equity securities	12	12
Less: Impairment losses at 1 January and 31 December	12	12
Net investments	-	-

Unquoted equity securities are classified as FVOCI.

In 2018, the second and final return of surplus assets of \$106,000 (Note 19) was received for the investment in Asfinco Singapore Limited (in members' voluntary liquidation). Asfinco Singapore Limited was liquidated in 2019.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

15. Property, Plant and Equipment

	Group and Company						
	Freehold land	Freehold buildings	Leasehold buildings	Office equipment, fixtures and fittings	Computer equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 January 2018	50	2,938	27,196	13,901	14,765	959	59,809
Additions	–	–	–	195	10	537	742
Disposals	–	–	–	(230)	(5,290)	(716)	(6,236)
At 31 December 2018	50	2,938	27,196	13,866	9,485	780	54,315
At 1 January 2019	50	2,938	27,196	13,866	9,485	780	54,315
Recognition of right-of-use asset on initial application of SFRS(I) 16	–	–	45,015	–	–	–	45,015
Adjusted balance at 1 January 2019	50	2,938	72,211	13,866	9,485	780	99,330
Additions	–	–	13,644	424	776	–	14,844
Derecognition	–	–	(182)	–	–	–	(182)
Disposals	–	–	–	(297)	(34)	(237)	(568)
At 31 December 2019	50	2,938	85,673	13,993	10,227	543	113,424
Accumulated depreciation and impairment losses							
At 1 January 2018	–	1,599	9,390	12,660	13,957	879	38,485
Depreciation charge for the year	–	60	616	565	586	128	1,955
Disposals	–	–	–	(227)	(5,290)	(684)	(6,201)
At 31 December 2018	–	1,659	10,006	12,998	9,253	323	34,239
At 1 January 2019	–	1,659	10,006	12,998	9,253	323	34,239
Recognition of right-of-use asset on initial application of SFRS(I) 16	–	–	5,099	–	–	–	5,099
Adjusted balance at 1 January 2019	–	1,659	15,105	12,998	9,253	323	39,338
Depreciation charge for the year	–	59	7,057	522	325	108	8,071
Derecognition	–	–	(158)	–	–	–	(158)
Disposals	–	–	–	(288)	(34)	(237)	(559)
At 31 December 2019	–	1,718	22,004	13,232	9,544	194	46,692
Carrying amount							
At 1 January 2018	50	1,339	17,806	1,241	808	80	21,324
At 31 December 2018	50	1,279	17,190	868	232	457	20,076
At 1 January 2019	50	1,279	57,106	868	232	457	59,992
At 31 December 2019	50	1,220	63,669	761	683	349	66,732

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

15. Property, Plant and Equipment (continued)

Properties held at 31 December are as follows:–

	Group and Company	
	2019	2018
	\$'000	\$'000
Freehold Land and Buildings		
(1) Property with carrying amount more than \$500,000 to \$1,000,000 comprises 1 shop unit held as branch premises.	893	919
(2) Properties with carrying amounts up to \$500,000 each comprise 2 shop units held as branch premises.	377	410
Total	1,270	1,329
Leasehold Buildings		
(1) Properties with carrying amounts exceeding \$1,000,000 each are as follows:–		
(a) A shop unit at Block 203 Bedok North Street 1 #01-451, Singapore, comprising 4,026 sq. ft. on a 84-year lease commencing July 1992 held as branch premises.	1,159	1,211
(b) A shop unit at Block 725 Clementi West Street 2 #01-216, Singapore, comprising 3,832 sq. ft. on a 85-year lease commencing November 1995 held as branch premises.	1,455	1,512
(c) A shop unit at Block 520 Lorong 6 Toa Payoh #02-54, Singapore, comprising 1,195 sq. ft. on a 99-year lease commencing May 2002 held as branch premises.	1,342	1,384
(d) A shop unit at Block 134 Jurong Gateway Road #01-313, Singapore, comprising 2,669 sq. ft. on a 91-year lease commencing April 1993 held as branch premises.	7,323	7,500
(e) A shop unit at Block 531 Upper Cross Street #01-50, Singapore, comprising 1,098 sq. ft. on a 83-year lease commencing July 1996 held as branch premises.	3,504	–
(2) Properties with carrying amounts more than \$500,000 to \$1,000,000 each comprise 4 shop units held as branch premises.	2,838	2,947
(3) Properties with carrying amounts up to \$500,000 each comprise 6 shop units held as branch premises and 4 industrial units used as warehousing facilities.	2,456	2,636
Total	20,077	17,190

Property, plant and equipment includes right-of-use assets of \$43.6 million related to leasehold buildings.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

16. Acceptances, Guarantees and Other Obligations on behalf of Customers

These are commitments entered into by the Group and the Company on behalf of customers for which customers have corresponding obligations under their contracts with the Group and the Company, and are in respect of the following:–

	Group and Company	
	2019	2018
	\$'000	\$'000
Guarantees	3,804	5,526
Total	<u>3,804</u>	<u>5,526</u>

These contingent liabilities are not secured on any of the Group's assets.

17. Net Interest Income/Hiring Charges

	Group	
	2019	2018
	\$'000	\$'000
<i>Interest income/hiring charges</i>		
Loans, advances and receivables	349,864	312,784
Deposits placed	20,529	15,871
Singapore Government debt securities and MAS bills	25,963	21,287
Total interest income/hiring charges	<u>396,356</u>	<u>349,942</u>
<i>Interest expense</i>		
Deposits and balances of customers	193,635	137,519
Others	241	304
Lease liabilities	776	–
Total interest expense	<u>194,652</u>	<u>137,823</u>
Net interest income/hiring charges	<u>201,704</u>	<u>212,119</u>

18. Fee and Commission Income

	Group	
	2019	2018
	\$'000	\$'000
Fee and commission income arising from:–		
Loans and advances	12,157	13,578
Non-lending activities	1,525	1,729
Others	32	30
Total	<u>13,714</u>	<u>15,337</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19. Other Operating Income

		Group	
	Note	2019 \$'000	2018 \$'000
Gain on disposal of plant and equipment		62	296
Gain on liquidation of investments (long-term)	14	–	106
Other operating income		<u>262</u>	212
Total		<u>324</u>	614

20. Staff Costs

		Group	
		2019 \$'000	2018 \$'000
Short-term employee benefits		60,783	59,756
CPF contributions to defined contribution plans		6,615	6,891
Share-based payments		<u>277</u>	286
Total		<u>67,675</u>	66,933

21. Other Operating Expenses

		Group	
		2019 \$'000	2018 \$'000
Audit fees to auditors		434	404
Non-audit fees to auditors		98	96
Operating lease expenses		125	6,956
IT-related expenses		2,953	2,224
Other expenses		<u>10,850</u>	9,641
Total		<u>14,460</u>	19,321

Included in other expenses are fee and commission expenses arising from loans, advances and receivables amounting to \$532,000 (2018: \$562,000).

22. Income Tax Expense

		Group	
	Note	2019 \$'000	2018 \$'000
Current tax expense			
Current year		21,095	23,995
Deferred tax expense			
Origination and reversal of temporary differences	8	<u>(222)</u>	(201)
Income tax expense		<u>20,873</u>	23,794

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

22. Income Tax Expense (continued)

Reconciliation of income tax expense

	Group	
	2019	2018
	\$'000	\$'000
Profit after tax for the year	103,085	118,343
Income tax expense	20,873	23,794
Profit before income tax	<u>123,958</u>	<u>142,137</u>
Tax calculated using Singapore tax rate of 17% (2018: 17%)	21,073	24,163
Tax effect of:-		
Exempt income not taxable for tax purposes	(26)	(33)
Enhanced tax deductions	(2)	(2)
Bad debts recovered not subject to tax	(4)	(2)
Income taxed at a 10% concessionary tax rate	(567)	(576)
Expenses not deductible for tax purposes	412	223
Others	(13)	21
Income tax expense	<u>20,873</u>	<u>23,794</u>

23. Earnings Per Share

(a) Basic earnings per share

	Group	
	2019	2018
	\$'000	\$'000
Basic earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	<u>103,085</u>	<u>118,343</u>
	2019	2018
	Number of	Number of
	shares	shares
	'000	'000
Issued shares at 1 January	445,818	445,173
Effect of share options exercised	713	467
Weighted average number of shares during the year	<u>446,531</u>	<u>445,640</u>

(b) Diluted earnings per share

	Group	
	2019	2018
	\$'000	\$'000
Diluted earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	<u>103,085</u>	<u>118,343</u>

For the purpose of calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential shares weighted for the period outstanding.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

23. Earnings Per Share (continued)

(b) Diluted earnings per share (continued)

The effect of the exercise of share options on the weighted average number of shares in issue is as follows:-

	2019	Group
	Number of	2018
	shares	Number of
	'000	shares
		'000
Weighted average number of:-		
shares used in the calculation of basic earnings per share	446,531	445,640
potential shares issuable under share options	697	669
Weighted average number of issued and potential shares assuming full conversion	447,228	446,309

Outstanding share options that were not included in the computation of diluted earnings per share because the share options were anti-dilutive amounted to 5,674,840 at exercise price of \$2.58 to \$3.10 as at 31 December 2019 (2018: 8,830,920 at exercise price of \$2.58 to \$3.10).

The average market value of the shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

24. Financial Risk Management

(a) Overview

Risk is an inherent part of the Group's business activities. Managing risks is therefore integral to the Group's business strategy and continuing profitability. Where risk is assumed, it is within a calculated and controlled framework; and is supported by a strong risk culture and risk management approach. As the business activities involve the use of financial instruments, the Group has exposure to the following risks:-

- (i) credit risk
- (ii) liquidity risk
- (iii) interest rate risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital. Details of the management of strategic and operational risks are disclosed in the Risk Management Report.

Risk management framework

The Board of Directors has overall responsibility for determining the type and level of business risks that the Group undertakes to achieve its corporate objectives. To assist the Board in fulfilling its duties, the Board Risk Committee ("BRC"), a dedicated risk committee at board level oversees and reports to the Board on matters relating to the risk function of the Group. The BRC reviews the adequacy and effectiveness of and approves the risk management framework, related risk management policies and systems. Management, through its Management Risk Committee and Assets and Liabilities Committee, is accountable to the BRC and Board for ensuring the effectiveness of the risk management framework. A risk management team is accountable to the BRC for maintaining an effective control environment that reflects established risks appetite and business objectives. The risk management team is independent of the business units, and performs the role of reviewing and implementing risk management policies and procedures.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(a) Overview (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to regularly monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practices. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee reviews the effectiveness of the financial reporting process and material internal controls as well as risk management policies and systems with the assistance of internal audit and other parties.

(b) Credit risk

Credit risk is the potential financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers. Other than loans and advances, the Group's investment in debt securities comprises Singapore Government securities, which are held to meet liquidity and statutory reserve requirements. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure. Credit risk concentration is addressed by setting appropriate credit portfolio limits and monitoring its exposures against the limits on a regular basis.

Management of credit risk

The Group has clearly defined credit guidelines for the approval and management of credit risk. Credit risk is managed to achieve sustainable and superior risk-reward performance whilst maintaining exposures within acceptable risk appetite parameters. Credit risk analysis focuses on ensuring that credit risks are identified in order that a balanced assessment can be made accordingly. Credit exposures and limits are managed to align with the Group's risk appetite, to maintain the target business mix and that there is no undue risk concentration. Credit concentration limits are reviewed on a regular basis after taking into account business, economic, financial and regulatory environments.

The Board of Directors has delegated responsibility for the management of credit risk oversight to its BRC whilst reserving for itself and various committees approval authority for exposures exceeding pre-set limits. A separate Risk Management and Credit Control department is responsible for management of the Group's credit risk, including:—

- (i) Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- (ii) Monitoring the Group's loans portfolio and concentration risk exposures.
- (iii) Reviewing and assessing credit risk.
- (iv) Maintaining the Group's risk gradings.
- (v) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Credit stress testing forms an integral part of the credit portfolio analysis. It is conducted periodically to assess the developments in the current operating environment that are relevant to borrower segments as well as to determine the impact of a deterioration of security values and a rise in non-performing loans to the Capital Adequacy Ratio.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(b) Credit risk (continued)

Environmental, Social and Governance Factors

The Group incorporates Responsible Financing practices when deciding on credit extensions to corporate borrowers. This is done as part of the adoption of the Guidelines on Responsible Financing issued by the Association of Banks in Singapore. The Group implements an Environmental, Social and Governance ("ESG") Risk Assessment tool to evaluate customers from industries with elevated ESG risk profiles. This risk assessment tool is to ensure that material ESG matters are considered for new borrowing customers, new credit applications and periodic reviews.

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statements of financial position, reduced by the value of the collateral held.

Loans and advances to customers can be analysed as follows:-

	Group and Company			Total \$'000
	12-month ECL Not credit- impaired \$'000	Lifetime ECL Not credit- impaired \$'000	Lifetime ECL Credit- impaired \$'000	
2019				
Performing accounts				
– neither past due nor impaired	11,065,596	225,866	–	11,291,462
– past due but not impaired	108,480	81,829	–	190,309
Substandard	–	–	85,291	85,291
Loss	–	–	6,562	6,562
Gross amount	11,174,076	307,695	91,853	11,573,624
Stage 1 & 2 loss allowances	(11,742)	(1,018)	–	(12,760)
Stage 3 loss allowances	–	–	(6,562)	(6,562)
Carrying amount	11,162,334	306,677	85,291	11,554,302
2018				
Performing accounts				
– neither past due nor impaired	9,994,526	30,979	–	10,025,505
– past due but not impaired	119,272	64,735	–	184,007
Substandard	–	–	79,478	79,478
Loss	–	–	7,717	7,717
Gross amount	10,113,798	95,714	87,195	10,296,707
Stage 1 & 2 loss allowances	(10,886)	(441)	–	(11,327)
Stage 3 loss allowances	–	–	(7,717)	(7,717)
Carrying amount	10,102,912	95,273	79,478	10,277,663

There are no loans and advances graded as doubtful as at 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(b) Credit risk (continued)

Impaired: when the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the transaction.

Past due but not impaired: when contractual interest or principal payments are past due by not more than three months and the Group believes that specific impairment is not appropriate on the basis of the security available and/or the stage of collection. Collective allowances have been set aside on a portfolio basis.

Allowances for doubtful debts: represents the Group's estimate of incurred losses in its loan portfolio, and comprises principally a specific loss component relating to individually significant exposures and a collective loss component established for groups of homogeneous assets not subject to individual assessment for impairment.

Write-off policy: The Group writes off wholly or partially loan balances (together with any related allowances for doubtful debts) when the Group determines that they are uncollectible. This determination is reached after considering information such as the occurrence of a deterioration in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to repay the entire exposure.

Set out below is an analysis of the gross and net (of allowances for doubtful debts) amounts of individually impaired loans and advances to customers by risk grade.

	Gross amount \$'000	Amount net of individual allowances \$'000
<hr/>		
31 December 2019		
Substandard	85,291	85,291
Loss	6,562	–
Total	<u>91,853</u>	<u>85,291</u>
31 December 2018		
Substandard	79,478	79,478
Loss	7,717	–
Total	<u>87,195</u>	<u>79,478</u>

The Group normally holds collateral against loans and advances to customers. These are in the form of mortgage interests over property and ownership or other registered interests over assets. Estimates of fair value of collateral are assessed in each accounting period prior to determination of individual allowances.

An estimate of the financial effect of collateral and other security enhancements held against loans and advances to customers on maximum credit risk exposure amounted to \$11,514,000,000 (2018: \$10,213,229,000). The Group's claim against such collateral has been limited to the obligations of the respective obligors.

The nature and carrying amount of collateral held against financial assets, obtained by taking possession of the collateral held as security, which remain held at the reporting date are as follows. Claims against such collateral are limited to the outstanding obligations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(b) Credit risk (continued)

	Group and Company	
	2019	2018
	\$'000	\$'000
Equipment	1,704	–
Motor vehicles	218	42
Properties	229	744
Total	<u>2,151</u>	<u>786</u>

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:–

	Loans and advances to customers	
	2019	2018
	\$'000	\$'000
Gross carrying amount	<u>11,573,624</u>	<u>10,296,707</u>
Concentration by sector		
Hire purchase/block discounting	1,764,977	1,680,916
Housing loans secured by property under finance	1,150,714	1,053,602
Other loans and advances:–		
Agriculture, mining and quarrying	58,224	1,110
Manufacturing	87,921	80,342
Building and construction	5,160,721	4,020,807
General commerce	104,092	76,226
Transport, storage and communication	185,794	186,869
Investment and holding companies	627,649	748,236
Professional and private individuals	267,040	295,177
Others (including hotels, associations and charitable organisations)	2,166,492	2,153,422
Total	<u>11,573,624</u>	<u>10,296,707</u>

At the reporting date, there was no significant concentration of credit risk.

Financial guarantees comprising guarantees issued by the Company to third parties on behalf of customers amounted to \$3,804,000 as at 31 December 2019 (2018: \$5,526,000). At the reporting date, the Company does not consider it probable that claims will be made against the Company under the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(b) Credit risk (continued)

Reconciliation of Loss Allowance

Reconciliation of impairment provision

	12-month ECL Not credit- impaired \$'000	Lifetime ECL Not credit- impaired \$'000	Lifetime ECL Credit- impaired \$'000	Total \$'000
2019				
Balance as at 1 January	10,886	441	7,717	19,044
New financial assets originated or purchased	3,271	195	212	3,678
Financial assets repaid	(3,904)	(173)	(1,589)	(5,666)
Financial assets written off	–	–	(2,533)	(2,533)
Transfer to 12-month ECL – not credit-impaired	96	(96)	–	–
Transfer to Lifetime ECL – not credit-impaired	(669)	688	(19)	–
Transfer to Lifetime ECL – credit-impaired	(162)	(46)	208	–
Changes in models/risk parameters	1,984	2	–	1,986
Impairment loss recognised	240	7	2,566	2,813
Balance as at 31 December	11,742	1,018	6,562	19,322
2018				
Balance as at 1 January	9,374	444	12,862	22,680
New financial assets originated or purchased	3,652	83	45	3,780
Financial assets repaid	(2,633)	(82)	(744)	(3,459)
Financial assets written off	–	–	(11,009)	(11,009)
Transfer to 12-month ECL – not credit-impaired	8	(8)	–	–
Transfer to Lifetime ECL – not credit-impaired	(176)	176	–	–
Transfer to Lifetime ECL – credit-impaired	(91)	(100)	191	–
Changes in models/risk parameters	441	(82)	–	359
Impairment loss recognised	311	10	6,372	6,693
Balance as at 31 December	10,886	441	7,717	19,044

Write-off still under enforcement activity

The contractual amount of outstanding on loans and advances to customers that were written off during the reporting period, and are still subject to enforcement activity was \$2.5 million (2018: \$11.0 million).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations and commitments resulting from its financial liabilities, or can only access these cash flow needs at excessive cost. The most common sources of liquidity risk arise from mismatches in the timing and value of cash inflows and outflows from the Group's statement of financial position exposures.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is established to meet the Group's current and prospective commitments in normal business conditions, and to maintain soundness in times of stress.

The Group is currently funded from equity and deposits. Liquidity risk arises from the management of the net funding position after accounting for the ongoing cash flows from assets and liabilities at various points in time.

Liquidity risk is managed in accordance with the Group's liquidity framework of policies, contingency funding plan, controls and limits approved by the BRC. This framework ensures that liquidity risk is monitored and managed in a manner that ensures sufficient sources of funds are available over a range of market conditions. Stress testing is conducted to assess and plan for the impact of the scenarios which may put the Group's liquidity at risk.

Liquidity risk is also mitigated through the diversification of the Company's loans and deposits products and the close monitoring of exposure to minimise concentration risk.

Contingency funding plans, which guide the Group's actions and responses, are in place to address potential liquidity crises using early warning indicators. Crisis escalation procedures and various strategies including funding, communication and courses of action to be taken have been developed to minimise the impact of liquidity crunch.

Exposure to liquidity risk

The Company monitors the liquidity limit, being a ratio of liquid assets (comprising cash balances with the Monetary Authority of Singapore ("MAS") and reserve assets principally comprising Singapore Government debt securities and MAS bills) to net liabilities (computed in accordance with MAS Notice 806) as at the reporting date and during the reporting period. Details of the ratio of liquid assets to net liabilities at the reporting date and during the reporting period were as follows:–

	Company	
	2019	2018
At 31 December	16.80%	16.49%
Average for the period	16.89%	16.39%
Maximum for the period	19.01%	17.90%
Minimum for the period	16.13%	16.20%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(c) Liquidity risk (continued)

The table below shows the remaining contractual undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments could vary significantly from this analysis. In particular, the carrying amount of deposits from customers is expected to remain stable; not all undrawn loan commitments are available to be drawn down immediately upon finalisation of legal documentation, due to factors like the progressive nature of the facility to be based on the stage of completion of work in progress.

	Carrying amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 month to 3 months \$'000	Over 3 months to 1 year \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000
Group							
31 December 2019							
<i>Non-derivative</i>							
<i>financial liabilities</i>							
Deposits and balances							
of customers	12,307,049	(12,528,183)	(2,194,565)	(3,814,564)	(6,494,726)	(24,328)	–
Amount due to							
Enterprise Singapore	5,174	(5,215)	(465)	(395)	(1,594)	(2,761)	–
Other liabilities	30,400	(30,400)	(15,048)	(586)	(14,042)	(190)	(534)
	12,342,623	(12,563,798)	(2,210,078)	(3,815,545)	(6,510,362)	(27,279)	(534)
Financial guarantees	–	(3,804)	(3,804)	–	–	–	–
	12,342,623	(12,567,602)	(2,213,882)	(3,815,545)	(6,510,362)	(27,279)	(534)
Undrawn loan							
commitments	–	(1,550,886)	(1,172,386)	(378,500)	–	–	–
	–	(1,550,886)	(1,172,386)	(378,500)	–	–	–
	12,342,623	(14,118,488)	(3,386,268)	(4,194,045)	(6,510,362)	(27,279)	(534)
31 December 2018							
<i>Non-derivative</i>							
<i>financial liabilities</i>							
Deposits and balances							
of customers	11,337,820	(11,515,771)	(1,391,233)	(2,803,936)	(5,576,726)	(1,743,876)	–
Amount due to							
Enterprise Singapore	6,330	(6,376)	(512)	(408)	(1,811)	(3,645)	–
Other liabilities	34,576	(34,576)	(17,913)	(584)	(15,528)	–	(551)
	11,378,726	(11,556,723)	(1,409,658)	(2,804,928)	(5,594,065)	(1,747,521)	(551)
Financial guarantees	–	(5,526)	(5,526)	–	–	–	–
	11,378,726	(11,562,249)	(1,415,184)	(2,804,928)	(5,594,065)	(1,747,521)	(551)
Undrawn loan							
commitments	–	(1,619,519)	(1,278,915)	(340,604)	–	–	–
	–	(1,619,519)	(1,278,915)	(340,604)	–	–	–
	11,378,726	(13,181,768)	(2,694,099)	(3,145,532)	(5,594,065)	(1,747,521)	(551)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(c) Liquidity risk (continued)

	Carrying amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 month to 3 months \$'000	Over 3 months to 1 year \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000
Company							
31 December 2019							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	12,311,282	(12,532,487)	(2,194,903)	(3,814,564)	(6,498,692)	(24,328)	–
Amount due to Enterprise Singapore	5,174	(5,215)	(465)	(395)	(1,594)	(2,761)	–
Other liabilities	29,058	(29,058)	(13,730)	(577)	(14,027)	(190)	(534)
	12,345,514	(12,566,760)	(2,209,098)	(3,815,536)	(6,514,313)	(27,279)	(534)
Financial guarantees	–	(3,804)	(3,804)	–	–	–	–
	12,345,514	(12,570,564)	(2,212,902)	(3,815,536)	(6,514,313)	(27,279)	(534)
Undrawn loan commitments	–	(1,550,886)	(1,172,386)	(378,500)	–	–	–
	12,345,514	(14,121,450)	(3,385,288)	(4,194,036)	(6,514,313)	(27,279)	(534)
31 December 2018							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	11,341,986	(11,520,005)	(1,391,566)	(2,803,936)	(5,580,627)	(1,743,876)	–
Amount due to Enterprise Singapore	6,330	(6,376)	(512)	(408)	(1,811)	(3,645)	–
Other liabilities	33,241	(33,241)	(16,602)	(575)	(15,513)	–	(551)
	11,381,557	(11,559,622)	(1,408,680)	(2,804,919)	(5,597,951)	(1,747,521)	(551)
Financial guarantees	–	(5,526)	(5,526)	–	–	–	–
	11,381,557	(11,565,148)	(1,414,206)	(2,804,919)	(5,597,951)	(1,747,521)	(551)
Undrawn loan commitments	–	(1,619,519)	(1,278,915)	(340,604)	–	–	–
	11,381,557	(13,184,667)	(2,693,121)	(3,145,523)	(5,597,951)	(1,747,521)	(551)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(d) Interest rate risk

Interest rate risk is the risk that the value of the Group's financial assets and/or financial liabilities changes because of changes in interest rates. Interest rate risk arises primarily from the fact that financial assets and liabilities typically reprice at different points in time.

Management of interest rate risk

The overall objective of interest rate risk management is to manage current and future earnings sensitivity arising from various interest rate exposures and to secure stable and optimal net interest income over the short and long term within approved risk appetite. Interest rate risk exposures are measured and monitored using a combination of repricing gap, present value of 1 basis point and income simulation modeling. The BRC approves policies, strategies and limits in the management of interest rate risk. Policies and limits are reviewed regularly to ensure that they remain relevant.

Exposure to interest rate risk

The Company does not hold a trading portfolio. The principal risk to which its non-trading portfolio is exposed arises from the risk of fluctuations in the future cash flows or fair values of financial instruments due to changes in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

Besides Singapore Government debt securities and MAS bills intended to be held to maturity, the Group's exposure to interest rate risk relates primarily to the Group's loan portfolio, deposits and any interest-bearing borrowings. Interest rate risk arises when these assets and liabilities mature or reprice at different times or in differing amounts, or when market conditions dictate the extent of repricing possible. The Group manages this risk through diversity in its loan portfolio and to a lesser extent in its deposit portfolio, and maintains a capital adequacy ratio in excess of statutory requirements.

Repricing analysis

The following table indicates the periods in which the financial instruments reprice or contractually mature, whichever is the earlier.

Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(d) Interest rate risk (continued)

	Note	Carrying amount \$'000	Up to 1 year \$'000	Group Over 1 to 5 years \$'000	After 5 years \$'000	Non- interest bearing \$'000
31 December 2019						
Financial assets						
Loans, advances and receivables	11	11,554,302	9,879,530	1,576,468	98,304	–
Singapore Government debt securities and MAS bills	10	1,531,763	831,019	685,745	14,999	–
Cash at banks and in hand	9	947,430	935,041	–	–	12,389
Statutory deposit with the Monetary Authority of Singapore	9	338,393	–	–	–	338,393
Other assets		20,601	–	–	–	20,601
Financial liabilities						
Deposits and balances of customers	6	12,307,049	12,208,777	23,737	–	74,535
Amount due to Enterprise Singapore	7	5,174	2,434	2,740	–	–
Other liabilities	7	165,857	–	–	–	165,857
31 December 2018						
Financial assets						
Loans, advances and receivables	11	10,277,663	8,810,790	1,363,226	103,647	–
Singapore Government securities	10	1,322,326	271,001	989,532	61,793	–
Cash at banks and in hand	9	1,442,327	1,429,691	–	–	12,636
Statutory deposit with the Monetary Authority of Singapore	9	297,645	–	–	–	297,645
Other assets		19,945	–	–	–	19,945
Financial liabilities						
Deposits and balances of customers	6	11,337,820	9,582,729	1,697,950	–	57,141
Amount due to Enterprise Singapore	7	6,330	2,711	3,619	–	–
Other liabilities	7	123,492	–	–	–	123,492

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(d) Interest rate risk (continued)

	Note	Carrying amount \$'000	Up to 1 year \$'000	Company Over 1 to 5 years \$'000	After 5 years \$'000	Non- interest bearing \$'000
31 December 2019						
Financial assets						
Loans, advances and receivables	11	11,554,302	9,879,530	1,576,468	98,304	–
Singapore Government debt securities and MAS bills	10	1,531,763	831,019	685,745	14,999	–
Cash at banks and in hand		946,428	934,039	–	–	12,389
Statutory deposit with the Monetary Authority of Singapore		338,393	–	–	–	338,393
Other assets		20,601	–	–	–	20,601
Financial liabilities						
Deposits and balances of customers	6	12,311,282	12,213,010	23,737	–	74,535
Amount due to Enterprise Singapore	7	5,174	2,434	2,740	–	–
Other liabilities	7	164,540	–	–	–	164,540
31 December 2018						
Financial assets						
Loans, advances and receivables	11	10,277,663	8,810,790	1,363,226	103,647	–
Singapore Government securities	10	1,322,326	271,001	989,532	61,793	–
Cash at banks and in hand		1,441,349	1,428,713	–	–	12,636
Statutory deposit with the Monetary Authority of Singapore		297,645	–	–	–	297,645
Other assets		19,945	–	–	–	19,945
Financial liabilities						
Deposits and balances of customers	6	11,341,986	9,586,895	1,697,950	–	57,141
Amount due to Enterprise Singapore	7	6,330	2,711	3,619	–	–
Other liabilities	7	122,177	–	–	–	122,177

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

24. Financial Risk Management (continued)

(d) Interest rate risk (continued)

Sensitivity analysis

Interest rate sensitivity analyses are performed under various interest rate scenarios using simulation modeling where the sensitivity of projected net interest income is measured against changes in market interest rates. The projected impact on future net interest income before tax over the next twelve months from the close of the year resulting from a 100 basis points parallel shift in the yield curves applied to the year end position is a gain/(loss) of:-

	Group	
	2019	2018
	\$'000	\$'000
+ 100 basis points parallel shift in yield curves	20,579	31,081
- 100 basis points parallel shift in yield curves	(23,860)	(31,537)

The above sensitivity analysis is illustrative only. It assumes that interest rates of all tenors move by the same amount and does not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The analysis also assumes that all financial assets and liabilities run to contractual maturity without action by the Group to mitigate any impact of changes in interest rates.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, customer and market confidence and to sustain future development of the business. The Assets and Liabilities Committee reviews the adequacy of capital by monitoring the levels of major assets and liabilities taking into account the underlying risks of the Group's business and compliance with regulatory capital requirements. The Board of Directors monitors the level of dividends to shareholders.

Regulatory capital

The Group maintains a capital adequacy ratio in excess of the prescribed ratio, expressed as a percentage of eligible total capital to total risk-weighted assets.

The Group's eligible total capital includes share capital, accumulated profits, statutory reserve, capital reserve and share option reserve. Risk-weighted assets are determined according to regulatory requirements that reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's regulatory capital adequacy position at 31 December is as follows:-

	2019	2018
	\$'000	\$'000
Share capital	889,051	884,440
Accumulated profits	196,357	134,050
Statutory reserve	702,994	654,713
Capital reserve	2,307	2,307
Share option reserve	4,755	5,554
Eligible total capital	1,795,464	1,681,064
Risk-weighted assets	11,950,853	10,733,651
Capital adequacy ratio	15.0%	15.7%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25. Financial Instruments

Accounting classifications and fair values

- (a) Loans, advances and receivables and deposits and balances of customers

The fair value of fixed rate loans, advances and receivables and deposits and balances of customers, which will mature and reprice more than six months after the reporting date, has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the reporting date. The carrying amounts of financial assets and financial liabilities with a maturity of six months or less (including other loans, advances and receivables, and other deposits/savings accounts) approximate their fair values.

- (b) Singapore Government debt securities and MAS bills

Fair value is based on quoted market bid prices at the reporting date.

- (c) Other financial assets and financial liabilities

The carrying amounts of other financial assets and financial liabilities with a maturity of less than one year (including other receivables, other deposits, cash, trade payables and other payables) are estimated to approximate their fair values in view of the short period to maturity.

In accordance with the accounting policy on Financial Instruments, certain financial assets and financial liabilities are not carried at fair value in the statements of financial position as at 31 December. The aggregate net fair values of these financial assets and financial liabilities are disclosed in the following table:-

	Note	Group			
		Carrying amount 2019 \$'000	Fair value 2019 \$'000	Carrying amount 2018 \$'000	Fair value 2018 \$'000
Financial assets					
Loans, advances and receivables	11	11,554,302	11,556,404	10,277,663	10,284,118
Singapore Government debt securities and MAS bills	10	1,531,763	1,538,664	1,322,326	1,320,898
		13,086,065	13,095,068	11,599,989	11,605,016
Financial liabilities					
Deposits and balances of customers	6	(12,307,049)	(12,364,484)	(11,337,820)	(11,382,330)
		779,016	730,584	262,169	222,686

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25. Financial Instruments (continued)

(c) Other financial assets and financial liabilities (continued)

	Note	Carrying amount 2019 \$'000	Company Fair value 2019 \$'000	Carrying amount 2018 \$'000	Fair value 2018 \$'000
Financial assets					
Loans, advances and receivables	11	11,554,302	11,556,404	10,277,663	10,284,118
Singapore Government debt securities and MAS bills	10	1,531,763	1,538,664	1,322,326	1,320,898
		13,086,065	13,095,068	11,599,989	11,605,016
Financial liabilities					
Deposits and balances of customers	6	(12,311,282)	(12,368,745)	(11,341,986)	(11,386,517)
		774,783	726,323	258,003	218,499

Fair value hierarchy

Fair value measurements for financial assets and financial liabilities by the levels in the fair value hierarchy are based on the inputs to valuation techniques. The different levels are defined as follows:-

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: unobservable inputs for the asset or liability including prices of an item that is not identical.

Group/Company financial assets and financial liabilities not carried at fair value but for which fair values are disclosed*

The fair value of the portion of loans, advances and receivables being Level 3 instruments amounts to \$2.47 billion (2018: \$2.30 billion) against a carrying value of \$2.469 billion (2018: \$2.297 billion). Singapore Government debt securities and MAS bills are Level 1 instruments with fair value of \$1.54 billion (2018: \$1.32 billion). The portion of deposits and balances of customers being Level 2 instruments have a fair value of \$10.45 billion (2018: \$9.79 billion) against a carrying value of \$10.40 billion (2018: \$9.74 billion).

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature or frequent repricing and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

26. Commitments

(a) Capital commitments

At 31 December, the Group and the Company had outstanding capital commitments in respect of contracts to purchase property, plant and equipment amounting to \$8,000 (2018: \$3,448,000).

(b) Undrawn loan commitments

Undrawn loan commitments comprise contractual obligations to provide credit facilities to customers which can either be for a fixed period or have no specific maturity but are cancellable by the Group subject to notice requirements.

At 31 December, the Group and the Company had undrawn loan commitments amounting to \$1,550,886,000 (2018: \$1,619,519,000).

27. Related Party Transactions

The Company is considered to be a subsidiary of Hong Leong Investment Holdings Pte. Ltd. Transactions entered into by the Group and the Company with related parties (including members of the Hong Leong Investment Holdings Pte. Ltd. group) incurred in the ordinary course of business from time to time and at market value, primarily comprise loans, deposits, provision of corporate advisory services, insurance transactions, property-related transactions, purchase/sale of property, management services, incidental expenses and/or other transactions relating to the business of the Group and the Company.

Key Management Personnel Compensation

Key management personnel compensation comprised:-

	Group	
	2019	2018
	\$'000	\$'000
Short-term employee benefits	4,480	3,505
CPF contributions to defined contribution plans	33	15
Depreciation of motor vehicles	21	30
Other operating expenses including principally directors' fees	1,594	1,441
Share-based payments	26	39
	6,154	5,030

Directors' remuneration (inclusive of fees) included in key management personnel compensation amounted to \$4,013,000 (2018: \$3,622,000).

Key management personnel of the Company participate in the Share Option Scheme as described in Note 5. During the year, options to 331,000 (2018: 252,000) shares were granted to key management personnel. These share options are subject to a vesting schedule.

For key management personnel appointed during the year, compensation and grant of share options are included from the date of appointment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

27. Related Party Transactions (continued)

Options held by key management personnel at the end of the year (including options granted prior to their appointment as key management personnel) are as follows:-

	2019	2018
Granted on		
29.9.2009	–	517,000
28.9.2010	572,000	572,000
29.9.2011	143,190	503,190
14.9.2012	127,000	383,000
25.9.2013	76,000	236,000
25.9.2014	236,000	236,000
23.9.2015	71,000	215,000
23.9.2016	119,960	215,000
21.9.2017	171,500	171,500
25.9.2018	271,500	252,000
23.9.2019	331,000	–

Options held by an Executive Director included in key management personnel at the end of the year are as follows:-

	2019	2018
Granted on		
29.9.2009	–	360,000
28.9.2010	400,000	400,000
29.9.2011	–	360,000
14.9.2012	–	256,000
25.9.2013	–	160,000
25.9.2014	160,000	160,000
23.9.2015	–	144,000
23.9.2016	48,960	144,000
21.9.2017	115,000	115,000
25.9.2018	156,000	156,000
23.9.2019	172,000	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

27. Related Party Transactions (continued)

Other Related Party Transactions

Related party balances as at the reporting date and transactions during the financial year are as follows:-

	Holding Company \$'000	Group Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000
(a) Secured loans, advances and hire purchase receivables			
Outstanding balances:			
As at 1 January 2018	-	2,245	50,473
Increase	-	403	-
(Decrease)	-	(1,023)	(25,365)
As at 31 December 2018	-	1,625	25,108
Increase	-	-	50,850
(Decrease)	-	(965)	(8,435)
As at 31 December 2019	-	660	67,523
Undrawn loan commitments:			
As at 1 January 2018	20,000	600	71,454
Increase	-	-	153
(Decrease)	(20,000)	(600)	(1,316)
As at 31 December 2018	-	-	70,291
Increase	-	-	19,000
(Decrease)	-	-	(864)
As at 31 December 2019	-	-	88,427
(b) Specific allowances for doubtful debts			
As at 31 December 2018	-	-	-
As at 31 December 2019	-	-	-
(c) Other receivables, deposits and prepayment			
Outstanding balances:			
As at 1 January 2018	-	1,594	-
Increase	-	5	-
(Decrease)	-	(172)	-
As at 31 December 2018	-	1,427	-
Increase	-	10	-
(Decrease)	-	(199)	-
As at 31 December 2019	-	1,238	-
(d) Deposits and balances of customers			
Outstanding balances:			
As at 1 January 2018	10,578	303,777	29,788
Increase	29,422	54,238	2,279
(Decrease)	-	(83,376)	(6,863)
As at 31 December 2018	40,000	274,639	25,204
Increase	15,511	102,451	4,316
(Decrease)	-	(37,694)	(4,113)
As at 31 December 2019	55,511	339,396	25,407

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

27. Related Party Transactions (continued)

	Holding Company \$'000	Group Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000
(e) Trade and other payables			
Outstanding balances:			
As at 1 January 2018	38	1,304	103
Increase	86	137	13
(Decrease)	–	(241)	(9)
As at 31 December 2018	124	1,200	107
Increase	–	464	57
(Decrease)	(8)	(44)	–
As at 31 December 2019	116	1,620	164
(f) Lease commitments			
Operating lease commitments			
As at 31 December 2018	–	17,588	–
Lease liabilities			
As at 31 December 2019	–	26,379	–
(g) Profit and loss transactions			
Year ended 31 December 2019			
– Interest income on loans and advances and hiring charges in respect of hire purchase receivables	–	32	2,324
– Interest expense on deposits	(670)	(6,238)	(384)
– Fee, commission and other income	–	–	4
– Other operating expenses	–	(733)	–
– Specific allowances for bad and doubtful debts	–	–	–
– Interest expense on lease liabilities	–	(517)	–
Year ended 31 December 2018			
– Interest income on loans and advances and hiring charges in respect of hire purchase receivables	–	53	1,251
– Interest expense on deposits	(235)	(4,043)	(295)
– Fee, commission and other income	–	–	11
– Other operating expenses	–	(6,638)	–
– Specific allowances for bad and doubtful debts	–	–	–
(h) Cash outflows relating to operating leases			
– Lease payments			
Year ended 31 December 2019	–	(5,188)	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

27. Related Party Transactions (continued)

	Holding Company \$'000	Company Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000	Subsidiaries \$'000
(a) Secured loans, advances and hire purchase receivables				
Outstanding balances:				
As at 1 January 2018	–	2,245	50,473	–
Increase	–	403	–	–
(Decrease)	–	(1,023)	(25,365)	–
As at 31 December 2018	–	1,625	25,108	–
Increase	–	–	50,850	–
(Decrease)	–	(965)	(8,435)	–
As at 31 December 2019	–	660	67,523	–
Undrawn loan commitments:				
As at 1 January 2018	20,000	600	71,454	–
Increase	–	–	153	–
(Decrease)	(20,000)	(600)	(1,316)	–
As at 31 December 2018	–	–	70,291	–
Increase	–	–	19,000	–
(Decrease)	–	–	(864)	–
As at 31 December 2019	–	–	88,427	–
(b) Specific allowances for doubtful debts				
As at 31 December 2018	–	–	–	–
As at 31 December 2019	–	–	–	–
(c) Other receivables, deposits and prepayment				
Outstanding balances:				
As at 1 January 2018	–	1,594	–	–
Increase	–	5	–	–
(Decrease)	–	(172)	–	–
As at 31 December 2018	–	1,427	–	–
Increase	–	10	–	–
(Decrease)	–	(199)	–	–
As at 31 December 2019	–	1,238	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

27. Related Party Transactions (continued)

	Holding Company \$'000	Company Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000	Subsidiaries \$'000
(d) Deposits and balances of customers				
Outstanding balances:				
As at 1 January 2018	10,578	303,777	29,788	4,115
Increase	29,422	54,238	2,279	51
(Decrease)	–	(83,376)	(6,863)	–
As at 31 December 2018	40,000	274,639	25,204	4,166
Increase	15,511	102,451	4,316	67
(Decrease)	–	(37,694)	(4,113)	–
As at 31 December 2019	55,511	339,396	25,407	4,233
(e) Trade and other payables				
Outstanding balances:				
As at 1 January 2018	38	1,296	103	26
Increase	86	135	13	5
(Decrease)	–	(240)	(9)	(2)
As at 31 December 2018	124	1,191	107	29
Increase	–	463	57	4
(Decrease)	(8)	(43)	–	(1)
As at 31 December 2019	116	1,611	164	32
(f) Lease commitments				
Operating lease commitments				
As at 31 December 2018	–	17,588	–	–
Lease liabilities				
As at 31 December 2019	–	26,379	–	–

* Key Management Personnel relate to key management personnel of the Group and the Company and of the holding company of the Company and their close family members.

Loans and deposits transactions with related parties are conducted at arm's length in the ordinary course of business. Credit facilities granted are subject to the Company's normal credit evaluation, approval, monitoring and reporting processes. Loans and advances are secured on equity securities or property, plant and equipment.

No impairment losses have been recorded against balances outstanding during the financial year with related parties, and no specific allowance has been made for balances with related parties at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

28. Leases

Leases as lessee (SFRS(I) 16)

The Group leases properties and motor vehicles. The leases typically run for a period of three to ten years, with options to renew the lease after that date. Previously, these leases were classified as operating leases under SFRS(I) 1-17. None of the leases contain contingent rentals.

The Group leases motor vehicle with one year contract term. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties presented as property, plant and equipment (see note 15).

	Leasehold buildings 2019 \$'000
Balance at 1 January	39,916
Depreciation charge for the year	(6,369)
Additions to right-of-use assets	10,069
Derecognition of right-of-use assets*	(24)
Balance at 31 December	<u>43,592</u>

* Derecognition of the right-of-use assets during 2019 is as a result of lease termination.

Amounts recognised in profit or loss

	\$'000
2019 – Lease under SFRS(I) 16	
Interest on lease liabilities	776
Expenses relating to short-term leases	18
2018 – Operating lease under SFRS(I) 1-17	
Lease expense	6,956

Amount recognised in consolidated statement of cash flows

	2019 \$'000
Total cash outflow for leases	7,465

Extension options

Some property leases contain extension options exercisable by the Group up to ten years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

ANALYSIS OF SHAREHOLDINGS

As at 2 March 2020

Number of Shares in Issue	: 447,536,473
Class of Shares	: Ordinary shares ("Shares")
Number of Shareholders	: 11,829
Voting Rights	: 1 vote for 1 share

Pursuant to the Finance Companies Act, Chapter 108, the Company does not hold treasury shares and accordingly, there were no treasury shares held as at 2 March 2020. As at 2 March 2020, there were also no Shares held as subsidiary holdings in the Company. 'Subsidiary holdings' is defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual") to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	336	2.84	13,683	0.00
100 – 1,000	1,778	15.03	1,195,968	0.27
1,001 – 10,000	7,332	61.98	33,068,310	7.39
10,001 – 1,000,000	2,355	19.91	115,639,922	25.84
1,000,001 and above	28	0.24	297,618,590	66.50
	11,829	100.00	447,536,473	100.00

Based on the information available to the Company as at 2 March 2020, approximately 45.50% of the total number of issued shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

Major Shareholders List - Top 20 as at 2 March 2020

No.	Name	No. of Shares Held	%*
1.	Hong Leong Investment Holdings Pte. Ltd.	99,608,176	22.26
2.	DBS Nominees Pte Ltd	26,471,176	5.91
3.	Hong Realty (Private) Limited	23,271,370	5.20
4.	Hong Leong Corporation Holdings Pte Ltd	19,685,812	4.40
5.	SGL Investment Holdings Pte Ltd	16,899,187	3.78
6.	Garden Estates (Pte.) Limited	16,710,670	3.73
7.	Hong Leong Foundation	13,854,823	3.10
8.	United Overseas Bank Nominees Private Limited	10,971,070	2.45
9.	Citibank Nominees Singapore Pte Ltd	10,158,217	2.27
10.	City Developments Limited	9,149,817	2.04
11.	Tudor Court Gallery Pte Ltd	6,517,000	1.46
12.	HSBC (Singapore) Nominees Pte Ltd	5,753,209	1.29
13.	Chng Gim Huat	5,685,000	1.27
14.	Hong Leong Holdings Limited	5,460,422	1.22
15.	Hong Leong Enterprises Pte. Ltd.	4,485,047	1.00
16.	Raffles Nominees (Pte.) Limited	4,480,519	1.00
17.	OCBC Nominees Singapore Private Limited	2,449,158	0.55
18.	Phillip Securities Pte Ltd	2,272,595	0.51
19.	Chow Joo Ming	2,200,000	0.49
20.	Morph Investments Ltd	2,160,000	0.48
		288,243,268	64.41

* The percentage of shares held is based on the total number of issued shares of the Company as at 2 March 2020.

ANALYSIS OF SHAREHOLDINGS

As at 2 March 2020

Substantial Shareholders

(As shown in the Register of Substantial Shareholders as at 2 March 2020)

	← No. of Shares →			%*
	Direct Interest	Deemed Interest	Total Interest	
Hong Realty (Private) Limited	23,271,370	23,678,335 ⁽¹⁾	46,949,705	10.49
Hong Leong Enterprises Pte. Ltd.	4,485,047	19,968,812 ⁽²⁾	24,453,859	5.46
Hong Leong Investment Holdings Pte. Ltd.	99,608,176	106,252,582 ⁽³⁾	205,860,758	46.00
Davos Investment Holdings Private Limited	–	205,860,758 ⁽⁴⁾	205,860,758	46.00
Kwek Holdings Pte Ltd	–	205,860,758 ⁽⁴⁾	205,860,758	46.00

* The percentage of shares held is based on the total number of issued shares of the Company as at 2 March 2020.

Notes:

- (1) Hong Realty (Private) Limited (“**HR**”) is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”) to have an interest in the 23,678,335 shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (2) Hong Leong Enterprises Pte. Ltd. (“**HLE**”) is deemed under Section 4 of the SFA to have an interest in the 19,968,812 shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (3) Hong Leong Investment Holdings Pte. Ltd. (“**HLIH**”) is deemed under Section 4 of the SFA to have an interest in the 106,252,582 shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof, which includes (i) the 46,949,705 shares held directly and indirectly by HR and (ii) the 24,453,859 shares held directly and indirectly by HLE.
- (4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA, to have interests in the 205,860,758 shares held directly and/or indirectly by HLIH in which each of them is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

Notice of the Company's 60th Annual General Meeting ("AGM") has been removed from pages 156 to 160 of this online version of AR 2019, together with the Proxy Form, in view of the extension until 29 June 2020 granted by the relevant authorities for the holding of the AGM. Please refer to the Company's announcements released on 2 April 2020 and 9 April 2020 for more details.

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ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Name of Director	Kevin Hangchi	Chng Beng Hua
Age	47	54
Date of appointment	1 October 2016	1 July 2000
Job Title	Non-Executive and Non-Independent Director A member of the Board Risk Committee ("BRC") and Board Sustainability Committee ("BSC")	Non-Executive and Independent Director
Date of last re-election as Director (if applicable)	26 April 2017	26 April 2017
Country of principal residence	Singapore	Singapore
Board of Directors' (the "Board") comments on the election/re-election (including rationale, selection criteria, and the search and nominating process)	<p>The Board reviewed the recommendation of the Nominating Committee ("NC") on the election/re-election of Mr Kevin Hangchi, Mr Chng Beng Hua, Mr Ter Kim Cheu, Mr Peter Chay Fook Yuen, Mr Tan Tee How and Ms Tan Siew San and took into account, <i>inter alia</i>:</p> <ul style="list-style-type: none"> • their skills set and contribution to the effectiveness of the Board (which includes their participation and candour at Board and Board Committee meetings) as well as their time commitment especially for Directors who have multiple board representations and/or other principal commitments; and 	
Whether appointment is executive, and if so, the area of responsibility	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Ter Kim Cheu	Peter Chay Fook Yuen	Tan Tee How	Tan Siew San
73	60	60	68
1 September 2010	11 June 2019	11 June 2019	11 June 2019
Non-Executive and Independent Director	Non-Executive and Independent Director	Non-Executive and Independent Director	Non-Executive and Independent Director
Chairman of the BSC, and a member of the Executive Committee, Audit Committee ("AC"), Remuneration Committee ("RC") and Hong Leong Finance Share Option Scheme 2001 Committee ("SOSC")	Chairman of the RC and SOSC, and a member of the BRC	A member of the AC and BRC	A member of the BSC
26 April 2017	Not applicable	Not applicable	Not applicable
Singapore	Singapore	Singapore	Singapore
<ul style="list-style-type: none"> the independence of Mr Chng Beng Hua and Mr Ter Kim Cheu who have served more than nine years on the Board, in particular their objectivity in the review and evaluation of actions taken by or proposals from Management and their seeking of clarification, as and when necessary, to make informed decisions whilst remaining open to other viewpoints. The Company has also benefitted from their years of experience in their field of expertise. 			
<p>The Board recommends the election/re-election of Mr Kevin Hangchi, Mr Chng Beng Hua, Mr Ter Kim Cheu, Mr Peter Chay Fook Yuen, Mr Tan Tee How and Ms Tan Siew San as Directors of the Company.</p>			
<p>For more details on the NC's evaluation process, please refer to Principle 4: Board Membership and Principle 5: Board Performance on pages 35 to 37 of the Corporate Governance Report.</p>			
No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Name of Director	Kevin Hangchi	Chng Beng Hua
Professional qualification, working experience and occupation(s) during the past 10 years	<p>Extensive global transactional experience across many of the Hong Leong Group's entities which include listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities.</p> <p><u>January 2009 to Present</u> Senior Vice President of Hong Leong Management Services Pte. Ltd.</p> <p>Holds a BSc (Social Sciences) (Hons) Degree in Accounting and Law from the University of Southampton, United Kingdom.</p> <p>Called to the English Bar and admitted to the Rolls as a Barrister-At-Law (Middle Temple) and was also called to the Singapore Bar.</p>	<p>Has many years of working experience in finance, management of hotel and service apartment, and real estate development.</p> <p><u>February 2007 to Present</u> Executive Director of Compact Metal Industries Ltd.</p> <p><u>May 2018 to Present</u> Executive Director of International Cement Group Ltd.* ("ICGL")</p> <p>Holds a Bachelor of Business Administration (Finance) from the University of Texas, Austin, USA.</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Ter Kim Cheu	Peter Chay Fook Yuen	Tan Tee How	Tan Siew San
<p>Retired from the Singapore Legal Service after 30 years of service. Prior to retirement in 2008, was the Parliamentary Counsel and Principal Senior State Counsel (Legislation Division), Attorney-General's Chambers, Singapore and a Law Revision Commissioner of Singapore.</p> <p>Member of the Strata Titles Board of Singapore. Also provides legislative consultancy services overseas.</p> <p>Holds a Bachelor of Social Sciences (Hons) Degree from the then University of Singapore and Bachelor of Law and Master of Law Degrees from the University of London. Also a Barrister-at-Law, having been called to the English Bar at Lincoln's Inn and an Advocate & Solicitor of the Supreme Court of Singapore.</p>	<p>Has over 30 years of experience in auditing and advisory work across various industries, primarily in real estate, financial institutions and healthcare, and specific experience in corporate restructuring, insolvency and corporate finance related work.</p> <p><u>2005 to 2009</u> Head of Financial Advisory Services, KPMG LLP</p> <p><u>2010 to September 2017</u> Deputy Managing Partner, KPMG LLP</p> <p><u>February 2018 to Present</u> Managing Director of Advisory Plus Pte. Ltd.</p> <p>Holds a Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of New South Wales, Australia.</p> <p>Fellow of the Institute of Singapore Chartered Accountants and a member of the Institute of Chartered Accountants in Australia. Also an approved liquidator.</p>	<p>Had served 34 years in the Singapore Administrative Service, holding various key appointments, including Principal Private Secretary to the then-Prime Minister, Mr Goh Chok Tong (from 1997 to 2000) and founding Chief Executive Officer ("CEO") of National Healthcare Group ("NHG") (from 2000 to 2004).</p> <p><u>April 2004 to October 2011</u> Permanent Secretary of the Ministry of National Development</p> <p><u>November 2011 to November 2014</u> Permanent Secretary of the Ministry of Home Affairs</p> <p><u>December 2014 to 2018</u> Commissioner of Inland Revenue of Singapore ("IRAS") and concurrently the CEO of IRAS</p> <p><u>February 2018 to Present</u> Executive Director of Chip Eng Seng Corporation Ltd* ("CES")</p> <p>Retired from public service in 2018.</p> <p>Also currently the Chairman of the Casino Regulatory Authority and Deputy Chairman of NHG, and a member of the Panel of Experts, Singapore Co-operation Enterprise.</p> <p>Holds a Bachelor of Business Administration (Honours) Degree from the National University of Singapore and a Master of Public Administration Degree from Harvard University. Attended the Wharton Business School Advanced Management Programme in 2002. Was awarded a Fulbright Fellowship in 1989/90.</p>	<p>Started career as an analyst in the Ministry of Defence ("Mindef") in 1974 and headed the Research department in Mindef from 1983 to 1995. Appointed Deputy Secretary (Policy) in Mindef in 1995, areas of responsibility included strategic issues, defence relations, national education, military security and public affairs.</p> <p><u>October 2006 to March 2012</u> Deputy Secretary (Asia Pacific) in the Ministry of Foreign Affairs</p> <p><u>March 2012 to May 2019</u> Ambassador Extraordinary and Plenipotentiary to the Kingdom of Thailand</p> <p>Retired from the Singapore civil service in June 2019.</p> <p>Holds a Bachelor of Social Science (Political Science), Second Class Honours (Upper) from the University of Singapore. Also obtained a Master of Arts (Political Science) from the University of Wisconsin - Madison, USA on a Fulbright-Hays scholarship.</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Name of Director	Kevin Hangchi	Chng Beng Hua
Shareholding interest in the Company and its subsidiaries	Please refer to the Directors' Statement on page 86.	Nil
Relationship (including immediate family relationship) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Nephew of Mr Kwek Leng Beng (Chairman/ Managing Director), Mr Kwek Leng Peck and Mr Kwek Leng Kee. Shareholder of Hong Realty (Private) Limited ("HR") and Hong Leong Investment Holdings Pte. Ltd. ("HLIH"). HR and HLIH are substantial shareholders and related corporations of the Company.	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX Listing Manual")) under Listing Rule 720(1) has been submitted to Hong Leong Finance Limited ("HLF")	Yes	Yes
Other Principal Commitments including directorships	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"
<ul style="list-style-type: none"> Past (for the last 5 years): 	<u>Directorships:</u> None	<u>Directorships</u> 1. Stangee Developments Pte Ltd 2. 10 subsidiaries of ICGL*

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Ter Kim Cheu	Peter Chay Fook Yuen	Tan Tee How	Tan Siew San
Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil
Yes	Yes	Yes	Yes
<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>	<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>	<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>	<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>
<p><u>Directorships:</u></p> <ul style="list-style-type: none"> • Kimly Limited* 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> • KPMG Corporate Finance Pte Ltd • Singapore Business Federation Foundation Limited 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> • St Joseph's Institution International School • St Joseph's Institution International Elementary School • National University Health System 	<p><u>Directorships:</u></p> <p>None</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Name of Director	Kevin Hangchi	Chng Beng Hua
<ul style="list-style-type: none"> Present: 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> HLF* and 2 subsidiaries of HLF Millennium & Copthorne Hotels New Zealand Limited * Hong Leong Nominees (Private) Limited Kwek Holdings Pte Ltd 4 subsidiaries of Hong Leong Investment Holdings Pte. Ltd. 2 subsidiaries of Millennium & Copthorne Hotels Limited 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> HLF* ICGL* and 6 subsidiaries of ICGL Chng Gim Huat Holdings Pte. Ltd. ("CGHH") and 7 subsidiaries of CGHH
Date of announcement of first appointment	23 September 2016	30 June 2000
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Negative confirmation	Negative Confirmation

* Listed company

Information as at 27 February 2020.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 60TH ANNUAL GENERAL MEETING

Ter Kim Cheu	Peter Chay Fook Yuen	Tan Tee How	Tan Siew San
<p><u>Directorships:</u></p> <ul style="list-style-type: none"> • HLF* 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> • HLF* • Advisory Plus Pte Ltd • Advisory Plus Sdn Bhd • Stirling Coleman Consultancy Sdn Bhd 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> • HLF* • CES* and 49 subsidiaries and associated companies of CES • Cybint International Pte Ltd • Cybint Solutions, Inc • Cybint Solutions Ltd • National Healthcare Group Pte Ltd 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> • HLF* • DOD Biotech Public Company Limited* • P5 Capital Holdings Ltd.* • Triton Holding Public Company Limited* • Triton Resources International Private Limited • Clarity The Word Factory Pte. Ltd. • Global Education Technology and Services Pte. Ltd.
31 August 2010	10 June 2019	10 June 2019	10 June 2019
Negative Confirmation	Negative Confirmation	Negative Confirmation	Negative Confirmation

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BRANCHES AND SME CENTRES

Branches

Main Branch

16 Raffles Quay
#01-05 Hong Leong Building
Singapore 048581
T : 6415 9118
F : 6222 8790

Ang Mo Kio Ave 1 Branch

Blk 338 Ang Mo Kio Ave 1
#01-1641
Singapore 560338
T : 6452 8735
F : 6454 3524

Balestier Branch

288 Balestier Road
#01-02 Balestier 288
Singapore 329731
T : 6250 1083
F : 6254 8801

Bedok Branch

Blk 203 Bedok North Street 1
#01-451
Singapore 460203
T : 6449 0601
F : 6444 3827

Bukit Batok Central Branch

Blk 641 Bukit Batok Central
#01-48
Singapore 650641
T : 6564 8801
F : 6564 9643

Bukit Merah Branch

Blk 125 Bukit Merah Lane 1
#01-156
Singapore 150125
T : 6273 0360
F : 6272 7158

City Plaza Branch

810 Geylang Road
#01-111/114 City Plaza
Singapore 409286
T : 6746 8084
F : 6748 2422

City Square Mall Branch

180 Kitchener Road
#B2-41 City Square Mall
Singapore 208539
T : 6509 8200
F : 6509 8100

Clementi West Branch

Blk 725 Clementi West Street 2
#01-216
Singapore 120725
T : 6778 6271
F : 6775 2751

Ghim Moh Branch

Blk 21 Ghim Moh Road
#01-209/211
Singapore 270021
T : 6467 3715
F : 6468 3273

Holland Drive Branch

Blk 45 Holland Drive
#01-351
Singapore 270045
T : 6778 4169
F : 6775 2836

Hong Lim Branch

Blk 531 Upper Cross Street
#01-50 Hong Lim Complex
Singapore 050531
T : 6534 5767
F : 6534 5868

Hougang Branch

Blk 208 Hougang Street 21
#01-211/213
Singapore 530208
T : 6288 2396
F : 6281 3046

Joo Chiat Branch

278 Joo Chiat Road
Singapore 427532
T : 6344 8842
F : 6440 2864

Jurong East Branch

Blk 134 Jurong Gateway Road
#01-313
Singapore 600134
T : 6564 3880
F : 6564 3787

Jurong West Branch

Blk 504 Jurong West Street 51
#01-211
Singapore 640504
T : 6569 0361
F : 6569 5918

Kallang Bahru Branch

Blk 66 Kallang Bahru
#01-521
Singapore 330066
T : 6296 8067
F : 6294 2907

Marine Parade Branch

Blk 80 Marine Parade Central
#01-790
Singapore 440080
T : 6346 2036
F : 6346 2035

Potong Pasir Branch

51 Upper Serangoon Road
#01-60/61 The Poiz Centre
Singapore 347697
T : 6214 9462
F : 6214 9463

Redhill (Jln Tiong) Branch

Blk 75D Redhill Road
#01-100
Singapore 154075
T : 6479 0277
F : 6479 0218

Sengkang Branch

1 Sengkang Square
#02-35 Compass One
Singapore 545078
T : 6384 3696
F : 6386 3364

Serangoon Garden Branch

8 Kensington Park Road
Serangoon Garden Estate
Singapore 557260
T : 6280 5665
F : 6285 2195

Tampines Grande Branch

9 Tampines Grande
#01-212
Singapore 528735
T : 6784 7326
F : 6784 9057

Toa Payoh Branch

Blk 520 Lorong 6 Toa Payoh
#02-54 HDB Hub
Singapore 310520
T : 6253 4821
F : 6256 5676

Upper Bukit Timah Branch

140 Upper Bukit Timah Road
#01-19/21 Beauty World Plaza
Singapore 588176
T : 6469 7438
F : 6468 4181

Upper Thomson Branch

219 Upper Thomson Road
Singapore 574351
T : 6453 3266
F : 6454 1913

Woodlands Branch

Blk 306 Woodlands Street 31
#01-43
Singapore 730306
T : 6368 7928
F : 6368 1448

Yishun Branch

Blk 743 Yishun Ave 5
#01-542/544
Singapore 760743
T : 6758 3711
F : 6753 5001

SME Centre @Hong Leong Finance

Balestier

288 Balestier Road
#01-02 Balestier 288
Singapore 329731
T : 6397 4946
F : 6254 8801

Bedok

Blk 203 Bedok North Street 1
#01-451
Singapore 460203
T : 6446 7320
F : 6444 3827

Bukit Merah

Blk 125 Bukit Merah Lane 1
#01-156
Singapore 150125
T : 6274 7535
F : 6272 7158

City Plaza

810 Geylang Road
#01-111/114 City Plaza
Singapore 409286
T : 6846 9710
F : 6748 2422

City Square

180 Kitchener Road
#B2-41 City Square Mall
Singapore 208539
T : 6634 4087
F : 6834 3280

Clementi West

Blk 725 Clementi West Street 2
#01-216
Singapore 120725
T : 6873 3056
F : 6775 2751

Hong Lim

Blk 531 Upper Cross Street
#01-50 Hong Lim Complex
Singapore 050531
T : 6534 1909
F : 6534 5868

Hougang

Blk 208 Hougang Street 21
#01-211/213
Singapore 530208
T : 6383 2807
F : 6281 3046

Jurong East

Blk 134 Jurong Gateway Road
#01-313
Singapore 600134
T : 6665 1950
F : 6564 3787

Potong Pasir

51 Upper Serangoon Road
#01-60/61 The Poiz Centre
Singapore 347697
T : 6214 9473
F : 6214 9463

Upper Bukit Timah

140 Upper Bukit Timah Road
#01-19/21 Beauty World Plaza
Singapore 588176
T : 6463 1365
F : 6468 4181

Yishun

Blk 743 Yishun Ave 5
#01-542/544
Singapore 760743
T : 6758 3711
F : 6753 5001



HONG LEONG FINANCE

HONG LEONG FINANCE LIMITED

16 RAFFLES QUAY
#01-05 HONG LEONG BUILDING
SINGAPORE 048581
WWW.HLF.COM.SG

CO. REG. NO. 196100003D

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